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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the **“Board”**) of directors (the **“Directors”**) of Cornerstone Financial Holdings Limited (the **“Company”**) hereby announces the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2023 (the **“Annual Results”**). This announcement, containing the full text of the 2023 annual report of the Company for the year ended 31 December 2023 (the **“Annual Report”**), complies with the relevant requirements 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”**) in relation to information to accompany preliminary announcement of annual results. The Annual Results have been reviewed by the Board and the audit committee of the Company.

The Annual Report will be published on the websites of the Company (www.cs8112.com) and the Stock Exchange (www.hkexnews.hk) in accordance with the relevant requirements of the GEM Listing Rules, and the printed version will be despatched to the Company’s shareholders who have requested for the same in writing in due course.

By Order of the Board

CORNERSTONE FINANCIAL HOLDINGS LIMITED

An Xilei

Chairman and Executive Director

Hong Kong, 28 March 2024

As at the date of this an Mr. An Xilei (Chairman), Mr. Wong Hong Gay Patrick Jonathan, Mr. Mock Wai Yin and Mr. Liu Shihao as executive Directors; and Mr. Chan Chi Keung Alan, Ms. Lau Mei Ying and Mr. Wong Man Hong as independent non-executive Directors.

This announcement, for which the Directors 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 of Hong Kong Limited 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 herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.cs8112.com.



基石金融控股有限公司

CORNERSTONE FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8112

2023

Annual Report
年度報告

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Cornerstone Financial 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 report 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 herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

An Xilei (*Chairman*) (*Note*)

Wong Hong Gay Patrick Jonathan (*CEO*)

Mock Wai Yin

Liu Shihao (*appointed on 5 September 2023*)

Gao Ran (*Chairman*) (*resigned on 5 September 2023*)

Note: Redesignated from the deputy chairman to the chairman of the Board on 5 September 2023.

Independent Non-Executive Directors

Chan Chi Keung Alan

Lau Mei Ying

Wong Man Hong

AUDIT COMMITTEE

Wong Man Hong (*Chairman*)

Chan Chi Keung Alan

Lau Mei Ying

NOMINATION COMMITTEE

Wong Man Hong (*Chairman*)

Chan Chi Keung Alan

Lau Mei Ying

REMUNERATION COMMITTEE

Wong Man Hong (*Chairman*)

Chan Chi Keung Alan

Lau Mei Ying

CORPORATE GOVERNANCE COMMITTEE

An Xilei (*Chairman*)

Mock Wai Yin

Lau Mei Ying

EXECUTIVE COMMITTEE

An Xilei (*Chairman*) (*Note*)

Liu Shihao (*appointed on 5 September 2023*)

Gao Ran (*Chairman*) (*resigned on 5 September 2023*)

Note: Being a committee member, was appointed as the committee chairman on 5 September 2023.

INVESTMENT COMMITTEE (NOTE 1)

An Xilei (*Chairman*) (*Note 2*)

Liu Shihao (*appointed on 5 September 2023*)

Gao Ran (*Chairman*) (*resigned on 5 September 2023*)

Notes:

1. Comprising the above Executive Directors and the Financial Controller of the Company.
2. Being a committee member, was appointed as the committee chairman on 5 September 2023.

COMPLIANCE OFFICER

Mock Wai Yin

COMPANY SECRETARY

Chan Sau Chee

AUTHORIZED REPRESENTATIVES

An Xilei

Mock Wai Yin

AUDITORS

Yongtuo Fuson CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 802, 8th Floor,

Lee Garden Five

18 Hysan Avenue

Causeway Bay

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

COMPANY'S WEBSITE

www.cs8112.com

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

8112

FINANCIAL SUMMARY

	for the year ended 31 December				
	2023	2022	2021	2020	2019*
	HK\$	HK\$	HK\$	HK\$	HK\$
RESULTS					
Revenue	57,960,680	55,568,368	56,133,391	50,973,229	92,327,178
Loss for the year	(49,612,842)	(32,598,174)	(14,301,244)	(59,198,261)	(17,260,109)
Attributable to:					
Owners of the Company	(48,637,971)	(31,985,715)	(15,541,192)	(58,082,647)	(18,107,764)
Non-controlling interests	(974,871)	(612,459)	1,239,948	(1,115,614)	847,655
ASSETS AND LIABILITIES					
	as at 31 December				
	2023	2022	2021	2020	2019*
	HK\$	HK\$	HK\$	HK\$	HK\$
Total assets	207,770,012	281,057,270	240,426,903	251,069,887	320,400,032
Total liabilities	57,511,384	(81,316,740)	(69,778,071)	(66,073,311)	(76,170,150)
Net assets	150,258,628	199,740,530	170,648,832	184,996,576	244,229,882

* The results included the provision of early childhood education business which was a discontinued operation during the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

During the year ended 31 December 2023 (the “Financial Year”), Cornerstone Financial Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) were principally engaged in the businesses of financial services and advertising and media services. The advertising and media business remained the main contributor to the Group’s revenue while provision of financial services continued to generate regular revenue for the Group. During the Financial Year, the Group recorded an overall revenue of approximately HK\$58.0 million and net loss of approximately HK\$49.6 million, as compared with that of approximately HK\$55.6 million and HK\$32.6 million respectively of the previous year. Revenue from the advertising and media business amounted to approximately HK\$49.2 million for the Financial Year (2022: HK\$46.3 million), an increase of approximately 6% over last year. The financial services business recorded revenue amounted to approximately HK\$8.7 million (2022: HK\$9.3 million), a decrease of approximately 6% year-on-year.

During the Financial Year, it was observed that global economic and social activities have returned to normal after all the anti-epidemic measures on COVID-19 were removed. The Group’s advertising and media business in both Hong Kong and Singapore markets have been picking up gradually from pandemic to recovery, although not reaching pre-pandemic level of approximately HK\$77.6 million in year 2019. While the global economy is recovering, the capital markets remain sluggish amid the macro challenges including, among others, the rising interest rates and cumulative geopolitical tension. In the uncertain and fluctuating financial markets, investors tend to be more prudent in making investment decisions. The weakened trend and shrinking trading volume during the Financial Year plagued the Hong Kong stock market. The unfavourable investment sentiment and the volatility in the local and global financial markets have exerted pressure on the Group’s financial services business. Despite the adversity of the operating environment, the Group continues its strategy to look into opportunities to expand its business. Going forward, the Group will strive to explore potential business opportunities, while maintaining its current operations in various businesses. The Group will look for new investment opportunities in different sectors with growth potential for business diversification and corporate sustainability. The management will also review and monitor the latest development of the external environment and the business portfolio of the Group, and adjust its business strategies from time to time if required. Details of the Group’s business review and prospects are as follows:

Financial Services Business

The Group's financial services activities are mainly conducted under the brand name of "Cornerstone" and consisted of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Group's financial services business recorded a revenue of approximately HK\$8.7 million for the Financial Year. Margin financing business was the key income stream for the Group's financial services business and margin loan financing of approximately HK\$89.9 million was granted to margin account clients as at 31 December 2023.

Over the past few years, the financial services business undertaken by Cornerstone Securities Limited ("CSL"), a 91.19% indirectly owned subsidiary of the Company, has been providing regular revenue for the Group and the interest income from the margin financing business contributed approximately 95% of CSL's revenue for the Financial Year. Fundamentally, contribution from margin financing business is significant for a securities company. CSL believed that it is important to explore opportunities to expand among others, its margin financing business, as CSL has a potential client base of high-net-worth individuals in the People's Republic of China (the "PRC"). Accordingly, the financial services segment with focus on the margin financing business has always been part of the Company's business development plan. However, over the past COVID-19 period, with the recent situation of increasing global economic and political complexities and the volatile market environment have led to uncertainties in operational and financial conditions in general. Comparatively speaking, the securities industry was in a worse situation than other industries over the year of 2023. The overall weak market sentiment experienced by the Hong Kong stock market has affected the Group's securities trading business during the Financial Year, which presented various challenges for growth including, among others, the margin financing business. It is believed that operating environment for this business segment will remain challenging. To reduce negative environmental impact and maintain sustainable business development, the CSL management will continue to equip themselves with updated market information with an aim of expanding the scope of services and customer base. In this regard, the Company will maintain more communication with existing clients and explore business opportunities with potential clients.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Advertising and Media Business

The Group is a well-established digital out-of-home (“OOH”) media company in Hong Kong and Singapore, with an operating history since April 2004. It had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings as well as the residential buildings to sell advertisement. The number of venues in which the Group deployed its flat-panel displays over the corresponding period of the previous year is shown as follows:

Region	Network	2023	2022
Hong Kong	Office, Commercial and Residential Network	1,110	1,069
Singapore	Office and Commercial Network	479	491
Total number of venues		1,589	1,560

As of 31 December 2023, the Group has deployed its branded flat-panel displays at 1,589 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

As previously reported, the Group partnered exclusively with Hivestack, the world’s leading independent programmatic digital out of home ad tech company, to bring the programmatic digital out of home (“pDOOH”) advertising buying experience in Hong Kong and Singapore to the next level. The Group anticipates pDOOH to be a key driver of growth in the coming years.

In addition to the flat-panel displays, the Group’s OOH large format media network in Hong Kong consists of seven sites of which six are large LED panels and one is billboard. Under its OOH large format media network in Singapore, the Group continued to maintained its current twelve strategically located sites. Combined with its well-established office, commercial and residential networks; the Group offers a well-rounded platform for advertisers to reach their audience at home, at work and at shopping, leisure & entertainment venues.

The Group will continue to pursue the expansion of its digital OOH media networks, adding progressively one venue at a time as well as pursue new static/LED OOH sites under its OOH large format media network.

The performance of the Group’s advertising and media business is gradually picking up post Covid-19 in both Hong Kong and Singapore. The Group believes that advertisers’ advertising spending will continue to increase 2024.

CORPORATE SOCIAL RESPONSIBILITY

As a good corporate citizen, the Group strives to improve society through community commitment. We continue to find ways to align citizenship initiatives on our platform and we take an active role in participating in various communities, charities and national building events in Singapore and Hong Kong to help and support the social communities.

Remarkable events in 2023 included:

1. Sponsorship for Singapore National Day Parade 2023 (Singapore)
2. Sponsorship for Make-A-Wish/Santa Race 2023 (Singapore)
3. Sponsorship for The Fred Hollows Foundation (Hong Kong)



1. Sponsorship for Singapore National Day Parade 2023 (Singapore)

2. Sponsorship for Make-A-Wish/Santa Race 2023 (Singapore)



3. Sponsorship for The Fred Hollows Foundation (Hong Kong)



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

	2023 HK\$	2022 HK\$	2021 HK\$	2020 HK\$	2019* HK\$
Turnover	57,960,680	55,568,368	56,133,391	50,973,229	92,327,178
Gross profit	36,265,866	35,881,869	37,039,762	32,470,780	56,260,154
EBITDA ^(Note)	(36,453,355)	(22,694,210)	1,264,708	(14,933,292)	(1,546,174)
Net loss	(49,612,842)	32,598,174	(14,301,244)	(59,198,261)	(17,260,109)

* The results included the provision of early childhood education business which was a discontinued operation during the year ended 31 December 2019.

Note: EBITDA represents profit/(loss) before finance costs, income tax expense, depreciation of property, plant and equipment and right-of-use assets, impairment loss of goodwill, gain on termination of lease contract, fair value gain/(loss) on equity investments at fair value through profit or loss, and the profit/(loss) for the year attributable to non-controlling interests. While EBITDA is commonly used as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

The Group's revenue for the year ended 31 December 2023 was approximately HK\$58.0 million (2022: HK\$55.6 million), representing an increase of approximately 4% over the previous year. The Group's revenue from the advertising and media business increased by approximately 6% to HK\$49.2 million (2022: HK\$46.3 million) as compared to the previous year. The Group's revenue from advertising and media business is gradually picking up during the year. However, the Group's revenue from financial services business decreased approximately 6% to HK\$8.7 million (2022: HK\$9.3 million) as compared to the previous year due to the weak market sentiment continuing in last quarter of 2023, leading to the lower trading activities throughout the reporting period.

The Group's gross profit for the year ended 31 December 2023 was approximately HK\$36.3 million, representing an increase of approximately 1% over the previous year. The Group's gross profit margin decreased from 65% to 63% due to the decrease of revenue from financial services and the higher cost of services incurred than last year.

The Group's administrative expenses for the year ended 31 December 2023 was approximately HK\$78.7 million (2022: HK\$61.6 million), representing an increase of approximately 28% over the previous year. The increase in administrative expenses was due to cope with the business recovery and the strategic plan of the Group.

The Group's negative EBITDA amounted to approximately HK\$36.5 million for the year ended 31 December 2023 as compared to the Group's negative EBITDA amounted to approximately HK\$22.7 million for the previous year. The increase in the Group's negative EBITDA is due to the expected credit loss of approximately HK\$7 million made on margin loan receivables and trade receivables as well as the increase of the Group's administrative expenses as stated above during the reporting period.

Loss per share for the year ended 31 December 2023 is approximately HK cents 21.20 as compared to a loss per share of approximately HK cents 18.24 for the previous year.

The Group recorded a loss attributable to owners of the parent of approximately HK\$48.6 million for the year ended 31 December 2023 as compared to a loss attributable to owners of the parent of approximately HK\$32.0 million for the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The details of the treatments for (a) the impairment loss for property, plant and equipment and right-of-use assets related to the advertising and media segment and (b) the margin loans receivables are as follows:

- (a) the impairment loss for property, plant and equipment and right-of-use assets related to the advertising and media segment

For the year ended 31 December 2023 and 31 December 2022, the Group did not recognise impairment provision for impairment loss on property, plant and equipment and right-of-use assets in relation to the advertising and media segment because of the performance of the Group's advertising and media business.

The asset impairment was supported by an independent valuation, Masterpiece Valuation Advisory Limited (the "Valuer") and was reviewed by the Company's auditors, please refer to the Independent Auditor's Report section for details. The Group's impairment assessment policy on property, plant and equipment and right-of-use assets was set out in note 4 to the consolidated financial statements of the Company as included in this Annual Report.

With reference to the valuation conducted by the Valuer, the recoverable amounts of the property, plant and equipment and right-of-use assets containing in the cash generating units ("CGU") of Singapore (the "Singapore CGU") and of Hong Kong (the "Hong Kong CGU", together with the Singapore CGU, the "CGUs") in the advertising and media segment are based on the value-in-use approach using discounted cash flow method by comparing the carrying values and the recoverable amounts of the CGUs. The approach is consistently adopted by the Company and is in-line with the generally accepted approach adopted in Hong Kong.

The details of the key assumptions and inputs adopted in the impairment assessment of the CGUs are as follows:

- (i) Budgeted turnover for the coming five years:

During the years 2024 to 2028, the turnover is estimated to have a slow growth per annum, i.e. the growth rate of turnover for Hong Kong CGU for these five years are 5.60%, 4.88%, 4.16% and 3.44% and 2.72% respectively; and the growth rate of turnover for Singapore CGU for these five years are 10.0%, 8.0%, 7.0%, 6.0% and 4.0% respectively; the estimated turnover of Hong Kong CGU for the years 2024, 2025, 2026, 2027 and 2028 are HK\$27.3 million, HK\$28.6 million, HK\$29.8 million, HK\$30.8 million and HK\$31.7 million respectively; and the estimated turnover of Singapore CGU for the years 2024, 2025, 2026, 2027 and 2028 are HK\$25.7 million, HK\$27.8 million, HK\$29.7 million, HK\$31.5 million and HK\$32.8 million respectively.

- (ii) Budgeted gross profit margins for the coming five years:

During the years 2024 to 2028, it is estimated that the direct cost would growth slowly per annum, the total estimated cost of service for Hong Kong CGU for the years 2024, 2025, 2026, 2027 and 2028 are HK\$14.2 million, HK\$14.5 million, HK\$15.0 million, HK\$15.4 million and HK\$15.8 million respectively; and the total estimated cost of service for Singapore CGU for the years 2024, 2025, 2026, 2027 and 2028 are HK\$11.6 million, HK\$12.6 million, HK\$13.3 million, HK\$14.0 million and HK\$14.5 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(iii) Growth rates after five years:

The Group prepared cash flow forecasts deriving from the most recent financial budgets of the advertising and media segment for the next five years with the residual period using the growth rates for the Hong Kong CGU and Singapore CGU are both 2.0% which are based on the estimated Hong Kong and Singapore inflation rates for the year 2028, respectively. These rates do not exceed the average long-term growth rates for the relevant markets.

(iv) Pre-tax discount rates:

The rates used to discount the forecasted cash flows for the Hong Kong CGU and Singapore CGU are 19.9% and 18.2% respectively. These are weighted average cost of capital of the respective CGUs and then adjusted by iterative computations for the relevant markets.

Based on the valuation results, it was considered that no impairment loss recognized for property, plant and equipment and right-of-use assets related to the advertising and media segment was not unreasonable under the prevailing market circumstance at this point of time.

(b) the margin loans receivables

For the year ended 31 December 2023, the Company recognised an impairment loss of approximately HK\$6.3 million on margin loans receivable in relation to the financial services segment (2022: HK\$7.9 million). The Group's margin loan receivables are mainly attributable to the margin financing business of its financial services segment. It is the Group's policy to provide credit facility limits to margin clients taking into account of the financial strength, creditworthiness and the past collection statistics of the clients and also determined by the discounted market value of the collateral securities accepted by the Group, where the Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. The margin clients are required to make good the shortfall, if any.

The Group's impairment assessment policy on margin loan receivables was set out in note 4 to the consolidated financial statements of the Company as included in this Annual Report.

With reference to the valuation report, the Valuer adopted probability of default method for the valuation of Expected Credit Loss which is commonly used in measuring the expected credit loss of receivables. Under this method. The details of the key assumptions and inputs adopted in Provision assessment regarding ECL of margin loan valuation are as follow:

(i) Exposure of default: The exposure of default is the difference between the market value of securities collaterals after haircut and the book value of the margin loan receivables.

As at 31 December 2023, out of the total securities pledged by the customers to the Group as collaterals with undiscounted market value of approximately HK\$127,937,000 (2022: HK\$122,323,000), the market value of securities collaterals amounting to approximately HK\$7,977,000 (2022: HK\$15,424,000) was lower than their corresponding book value of the margin loan receivables, and thus, the difference between the market value of securities collaterals after haircut and the book value of the margin loan receivables of approximately HK\$58,897,000 (2022: HK\$40,713,000) is subject to exposure of default and thus, with reference to the current market and economic conditions and the estimation of the management, the average haircut rate of 31% (2022: 20%) based on market practice was applied to reflect the market risk associated with the securities collaterals, according to the estimation of the management of the Company which was based on the expected volatility of the market price of the securities collaterals.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (ii) Probability of default rate: The calculation of the adopted probability of default was reference to the Moody's publication of global default rates. According to the valuation report, the probability of default rate for 2023 was 39.3% (2022: 35.2%).
- (iii) Expected recovery rate from loss given default rate: The rate 0% was adopted as a prudence assumption.
- (iv) Discount factor: The discount factor was not applicable in this valuation because the expected settlement date is within one year from the date of the valuation.

The assessment on the Provision of margin loan receivables and the expected credit loss was prepared with reference to the valuation results conducted by the Valuer. It was believed that the above-mentioned valuation basis, key assumptions and inputs applied by the Valuer were consistent with the current market trends and conditions of the margin financing business. The valuation results have been reflected in the Group's audited financial statement for the year ended 31 December 2023.

With reference to the valuation results, the estimated provision regarding ECL for margin loan receivables of approximately HK\$23,526,000 (2022: HK\$17,256,000) was recognised at the end of the reporting period of 31 December 2023. Accordingly, during the year ended 31 December 2023, impairment loss of approximately HK\$6,270,000 (2022: HK\$7,921,000) was charged to profit or loss for the year.

As at 31 December 2023, the carrying amount of the Group's margin loan net of ECL impairment losses were approximately HK\$66,328,000 (2022: HK\$77,704,000).

LIQUIDITY AND FINANCIAL RESOURCES

During the Financial Year, the Group financed its daily operations from internally generated resources. As at 31 December 2023, the Group had net current assets of approximately HK\$141 million (2022: HK\$180 million) and cash and cash equivalents of approximately HK\$81 million (2022: HK\$116 million).

GEARING RATIO

The gearing ratio of the Group, calculated as total debt over total capital fund, was approximately 2.3% as at 31 December 2023 (2022: 1.9%).

FOREIGN EXCHANGE

For the year ended 31 December 2023, the Group was exposed to foreign currency risk with respect to its operations in Singapore where most of the business transactions, assets and liabilities were denominated in Singapore dollars. The Group will monitor its foreign currency exposure closely. During the year ended 31 December 2023, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 31 December 2023, the authorised share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each ("Share(s)"), and the issued share capital was HK\$2,294,184.48 divided into 229,418,448 Shares as fully paid.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

INFORMATION ON EMPLOYEES

As at 31 December 2023, the Group had 53 employees (2022: 50 employees), including the executive Directors (the "Executive Directors"). Total staff costs (including Directors' emoluments) were approximately HK\$30 million for the Financial Year (2022: HK\$29 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore.

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries and an associate, and as disclosed in Note 27 to the Consolidated Financial Statements, the Group did not hold any significant investment in any Company as at 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed herein, the Group did not make any material acquisition or disposal, nor had other plans for material investments and capital assets during the Financial Year.

CHARGES OF ASSETS

As at 31 December 2023, the Group did not have any charges on its assets (2022: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2023 (2022: Nil).

EXECUTIVE DIRECTORS

Mr. AN Xilei, aged 44, was appointed as an executive Director on 1 December 2016. At present, Mr. An is also the chairman of the Board, the chairman of each of the corporate governance committee, the executive committee and the investment committee, as well as an authorised representative (pursuant to Rule 5.24 of the GEM Listing Rules) of the Company. Mr. An is currently the chairman of 深圳市百獸控股有限公司 (Shenzhen Baishou Holding Co., Ltd*) in the PRC. Mr. An has extensive experience in business investments in various fields including real estate, financial services and internet industries over a span of different markets like Hong Kong and the U.S.A.

* The English name of the PRC entity is for information purpose only. In case of any inconsistency, the Chinese name shall prevail.

Mr. WONG Hong Gay Patrick Jonathan, aged 59, co-founded Focus Media Network Limited (re-named in January 2018 as Cornerstone Financial Holdings Limited) (the "Company") in April 2004 and led its listing on the Stock Exchange in July 2011. He was appointed a Director on 24 March 2011 and designated as an executive Director on 9 June 2011. At listing he assumed the roles of the chairman of the Board and a member of the remuneration committee of the Company, and subsequently the chairman of each of the nomination committee and the corporate governance committee of the Company until 1 December 2016. Mr. Wong has been the chief executive officer of the Company since its founding. He is also a director of certain subsidiaries of the Company. Apart from charting the Company's vision and mission and meeting the Company's overall business objectives, Mr. Wong is also responsible for key client/partnership development and new business initiatives and overall management of advertising sales and business development functions. Mr. Wong is an entrepreneur with over three decades of start-up and operational experience with a wide range of global and regional media and entertainment, broadcasting, mobile and satellite telecommunications, internet and digital out-of-home ventures. After completing six years of military service in Singapore, Mr. Wong started his career in publishing and in 1991 joined the founding team that launched Star TV. He went on to establish the regional satellite broadcaster's regional office in Singapore and served as its regional director, advertising sales for the Southeast Asia region. A year after the network was acquired by News Corporation, Mr. Wong was invited to rejoin the founders of Star TV to work on the launch of Pacific Century Group's Corporate Access where he served as the satellite-based corporate communications services provider's vice president for sales and advertising & promotions. When Corporate Access was acquired by Hutchison Whampoa, Mr. Wong was transferred to Hutchison Telecommunications where he served as its vice president, business development for the Asia region. While at Hutchison Telecommunications, Mr. Wong developed the desire to join the race to provide the world's first global mobile personal communications service or GMPCS. That led to his joining of Silicon Valley-based Local Space & Communications' Globalstar where he subsequently established the constellation's regional office in Hong Kong and served as its regional director for the Southeast Asia region. In 1999, Mr. Wong embraced the Asian Internet boom and became the founding managing director for 24/7 Media Asia, one of the three founding business units of Chinadotcom. At 24/7 Media Asia, Mr. Wong built a pan-Asian interactive advertising sales network that stretches across nine Asian countries within its first year of operations. Shortly afterwards, Mr. Wong founded the AdSociety Group, a venture that eventually became a part of the PCCW Group. As founder and group CEO, Mr. Wong established offices across nine major cities and formed joint ventures with Tokyu Agency Inc. (a member of Tokyu Corporation), LG Advertising Inc. (a member of LG Group) and the People's Daily Group, in Japan, South Korea and China, respectively, and worked with numerous sales and technology partners in the United States and Europe to establish a global advertising sales network and provided integrated online, broadband and mobile advertising, marketing and sales services to a diverse spectrum of premium online media properties. Following the burst of the technology bubble and the events of September 11, the Internet and mobile advertising venture was divested by PCCW on 3 October 2001. Soon afterwards, Mr. Wong was invited to rejoin the founders of PCCW to serve as the CEO of NOW Satellite TV.

DIRECTORS' PROFILE (CONTINUED)

Mr. MOCK Wai Yin, aged 51, was appointed as an executive Director on 27 November 2015. Currently, he is also an authorised representative (pursuant to Rule 5.24 of the GEM Listing Rules) and a member of the corporate governance committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Mock holds a Master of Philosophy degree in Biochemistry from The Chinese University of Hong Kong and a Master of Science degree in Hazard Analysis and Critical Control Point from University of Salford. He also holds a Postgraduate Diploma in Professional Accounting. Mr. Mock has over 15 years of experience in research analysis and over three years of worldwide experience in natural resources, project investment and property development as well as project valuation and budget management. He was an executive director of Boill Healthcare Holdings Limited (a company listed on the Stock Exchange with stock code: 1246) from July 2015 to December 2018, and of South East Group Limited (now known as DIT Group Limited, a company listed on the Stock Exchange with stock code: 726) from December 2013 to February 2015.

Mr. LIU Shihao, aged 29, was appointed as an executive Director, a member of each of the executive committee and investment committee of the Company on 5 September 2023. Mr. Liu obtained his master's degree in Finance from City University of Hong Kong and bachelor's degree in mechatronic engineering from Chongqing University in the People's Republic of China. Mr. Liu worked for PacRay International Holdings Limited (stock code: 1010, a company listed on the Main Board of the Stock Exchange, now known as Balk 1798 Group Limited) from July 2019 to July 2020, where his responsibilities included due diligence and research of some potential investment projects. He worked for the Company from July 2020 to November 2020, where his responsibilities included investment analyzing and post investment project supervising; then worked as a licensed representative for Cornerstone Securities Limited (a 91.19% indirectly owned subsidiary of the Company) together with its fellow subsidiary carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO from April 2021 to August 2021. Mr. Liu was an executive director of DeTai New Energy Group Limited (stock code: 559, a company listed on the Main Board of the Stock Exchange) from August 2021 to March 2022, and an executive director of Windmill Group Limited (now known as HSC Resources Group Limited) (stock code: 1850, a company listed on the Main Board of the Stock Exchange) from November 2021 to July 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Chi Keung Alan, aged 60, was appointed an independent non-executive Director on 9 June 2011. Currently, he is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chan is a qualified solicitor admitted in England & Wales in October 1991 and in Hong Kong in February 1992 and has practiced corporate and commercial law for more than three decades. Mr. Chan is an independent non-executive director, and a member of each of the audit committee and nomination committee of Changyou Alliance Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1039). He was an independent non-executive director of L & A International Holdings Limited (now known as Legendary Education Group Limited), a company listed on GEM of the Stock Exchange (stock code: 8195), from September 2014 to October 2015; and was also an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of BOSA Technology Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8140) from 19 June 2018 to 29 February 2020. Previously, Mr. Chan was the senior general counsel of Imperial Pacific International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1076), which owns an exclusive casino gaming license in Saipan, Commonwealth of Northern Mariana Islands, and prior to that, he was the Vice President, Legal of NagaCorp Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3918) which owns, manages and operates the largest integrated gaming, leisure and entertainment hotel complex in the Kingdom of Cambodia, as well as the Head of Legal Services for the Hong Kong Jockey Club. Mr. Chan started his career in 1992 in Hong Kong as a corporate finance lawyer with Stephenson Harwood & Lo. He later acted as the senior assistant director, legal department, of the Land Development Corporation (now known as Urban Renewal Authority). Mr. Chan was the legal counsel for one of the leading US information technology companies, Sun Microsystems for Greater China, the Asia Pacific legal director for St. Jude Medical, and the vice president of Legal Affairs at Celestial Pictures Limited, a subsidiary of Astro All Asia Networks Plc., a Malaysian company that carries out business relating to cross media, in particular, direct-to-home television services, commercial radio and television programming. Celestial Pictures Limited is a commercial media company that owns and distributes the largest film library in Asia, including the Shaw Brothers film library, with worldwide entertainment assets in the motion picture, television, and new media industries. Mr. Chan obtained a Bachelor of Science degree in Civil Engineering from the Aston University of Birmingham, England in July 1986 and a LLB in China Law from the China University of Political Science and Law, Beijing, PRC in June 1999. He served as a board director (and former chairman) of Theatre Space Foundation Limited, a theatrical drama performance charitable institution; an Honorary Legal Advisor of each of Community Careage Foundation Limited, a charitable organization with objectives to relief sickness, physical and mental disability of poor elderlies in the community; and Tong Sam Charity Association with objectives to build schools and provide other educational support to children in need. Mr. Chan is a Council Member of the China Overseas Friendship Association, Beijing, China; legal advisor of the Hong Kong Chiu Chow Community Organizations Limited and the Overseas Teo Chew Entrepreneurs Association Limited.

DIRECTORS' PROFILE (CONTINUED)

Ms. LAU Mei Ying, aged 41, was appointed as an independent non-executive Director on 27 November 2015. Currently, she is also a member of each of the audit committee, the nomination committee, the remuneration committee and the corporate governance committee of the Company. Ms. Lau graduated from The Chinese University of Hong Kong with a bachelor degree of Social Science in Economics. Ms. Lau has extensive experiences in the financial market and insurance underwriting. She has been a fellow member of Life Management Institute issued by Life Office Management Association since November 2008. Ms. Lau was an executive director of PacRay International Holdings Limited (now known as Balk 1798 Group Limited) (stock code: 1010) from 31 August 2017 to 14 April 2021; and an independent non-executive director of Boill Healthcare Holdings Limited (stock code: 1246) from 15 July 2015 to 17 July 2017.

Mr. WONG Man Hong, aged 38, was appointed as an independent non-executive Director, the chairman of each of the audit committee, remuneration committee and nomination committee of the Company on 16 July 2021. Mr. Wong graduated from the City University of Hong Kong with a Bachelor's degree of Business Administration in Accounting. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since 2011. Mr. Wong has extensive experience in the fields of accounting, auditing and financing. He started his career and served as a manager in PricewaterhouseCoopers, and has been taking up senior positions in various companies listed on the Main Board of the Stock Exchange engaging in operation of P2P internet financing platform, securities trading, money lending and new energy business. Previously, he was the financial controller of DeTai New Energy Group Limited (stock code: 559). Currently, he is the chief financial officer and company secretary of Wah Sun Handbags International Holdings Limited (stock code: 2683). He was an independent non-executive director of Asia Pacific Silk Road Investment Company Limited (now known as Zhong Ji Longevity Science Group Limited, stock code: 767) from 23 June 2020 to 31 December 2020.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board of Directors of the Company (the “Board”) believes that good corporate governance is one of the areas that leads to the success of the Company and in balancing the interests of Shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix C1 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the applicable code provisions (the “Code Provision(s)”) set out in Part 2 of the CG Code for the year ended 31 December 2023, except where otherwise stated in this report.

It is a strategic goal of the Company to bring additional value to the Group in the long run with adoption of flexible business model, yet in a prudent approach to preserve value over the longer term. The Board aims to cultivate good corporate governance in the Group’s culture and to enhance awareness of employees to act lawfully, ethically and responsibly while contributing to the business development of the Group. Details on the Group’s business performance and financial review for the year ended 31 December 2023 are set out in the “Management Discussion and Analysis” section of this annual report.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. The Company, having made specific enquiry to all Directors, confirms that the Directors have complied with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the year ended 31 December 2023.

BOARD OF DIRECTORS

Board Composition and Responsibilities

The Board comprised the following directors during the year ended 31 December 2023 and up to the date of this report:

Executive Directors:

Mr. AN Xilei (*Chairman*) (*Note*)
Mr. WONG Hong Gay Patrick Jonathan (*CEO*)
Mr. MOCK Wai Yin
Mr. LIU Shihao (*appointed on 5 September 2023*)
Mr. GAO Ran (*Chairman*) (*resigned on 5 September 2023*)

Independent Non-executive Directors:

Mr. CHAN Chi Keung Alan
Ms. LAU Mei Ying
Mr. WONG Man Hong

Note: During the Financial Year, Mr. An Xilei was the deputy chairman of the Company up to 5 September 2023 and was re-designated as the chairman of the Company on that date and remains in such position as at the date of this report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The relationship among members of the Board, and between the chairman and chief executive of the Company, and biographical details of the Directors who are currently serving the Board are set out in the section headed “Directors’ Profile” of this annual report. Save for the Directors’ business relationships as a result of their respective directorships in the Company and its subsidiaries or else as disclosed in each of their respective biographies as aforementioned or in this annual report, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Board is accountable to the Shareholders for the Company’s performance and activities. While the Board is primarily overseeing and managing the Company’s affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The executive Directors (the “Executive Director(s)”) constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The non-executive Directors (the “Non-executive Director(s)”) (including the Independent Non-executive Directors) contribute valuable views and proposals for the Board’s deliberation and decisions.

The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board of the Company.

Conduct of Board Meetings

The Board has drawn up a schedule to meet regularly at least four times a year at approximately quarterly intervals, pursuant to Code Provision C.5.1 of the CG Code, to consider and approve quarterly, half-yearly and annual results of the Group, as well as to discuss the overall strategy, business operations and development of the Group. Notice is given to all Directors at least 14 days in advance for a regular board meeting in accordance with Code Provision C.5.3 of the CG Code. For the sake of flexibility, the Board may also hold meetings whenever necessary other than the regular meetings; in such case, reasonable notice will be given. For the year ended 31 December 2023, the Board has convened five meetings (including four regular Board meetings but excluding the committee meetings) that required directors’ attendance in person or through electronic means of communication.

Directors' Attendance at Board/General Meetings

During the year ended 31 December 2023, the Company has held one general meeting (the annual general meeting for 2023). The individual attendance record of each Director at the meetings of the Board and general meeting is as follows:

	Number of Board meetings attended/held	Number of general meetings attended/held
<i>Executive Directors:</i>		
Mr. AN Xilei	5/5	1/1
Mr. WONG Hong Gay Patrick Jonathan	5/5	1/1
Mr. MOCK Wai Yin	5/5	1/1
Mr. LIU Shihao (<i>appointed on 5 September 2023</i>)	1/1	N/A
Mr. GAO Ran (<i>resigned on 5 September 2023</i>)	0/4	0/1
<i>Independent Non-executive Directors:</i>		
Mr. CHAN Chi Keung Alan	5/5	1/1
Ms. LAU Mei Ying	5/5	1/1
Mr. WONG Man Hong	5/5	1/1

Pursuant to Code Provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Gao Ran, the then chairman and executive director of the Company, was unable to attend the annual general meeting of the Company held on 11 May 2023, which was chaired by Mr. Mock Wai Yin, an executive director of the Company, accordingly. Mr. Gao Ran has already resigned from the directorship of the Company effective from 5 September 2023, as detailed in the Company's announcement dated 5 September 2023.

As stated above, appropriate notices are given to all Directors in advance for attending regular and other Board or Board committee meetings. Meeting agenda and other relevant information are provided to the Directors in advance of the Board or Board committee meetings. There are arrangements in place to ensure all Directors are given an opportunity to include matters in the agenda for regular Board meetings pursuant to Code Provision C.5.2 of the CG Code.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Draft of the minutes will be circulated to all Directors and/or all members of the relevant Board committees for their comment within a reasonable time after convening of the pertaining meetings. Minutes of Board and Board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director in accordance with Code Provision C.5.4 of the CG Code.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In addition, a meeting between the Chairman and the Independent Non-executive Directors was held without the presence of other Directors in accordance with Code Provision C.2.7 of the CG Code during the Financial Year.

The Company has arranged for appropriate liability insurance cover for its Directors in accordance with Code Provision C.1.8 of the CG Code. The insurance coverage is reviewed on an annual basis.

Chairman and Chief Executive

During the Financial Year, the position of the chairman of the Company was held by Mr. Gao Ran up to 5 September 2023 (such cessation was simultaneous with his resignation from the directorship of the Company), then by Mr. An Xilei from 5 September 2023 up to the date of this report. The position of the chief executive officer of the Company was held by Mr. Wong Hong Gay Patrick Jonathan. The roles of chairman and chief executive officer of the Company are separate in accordance with Code Provision C.2.1 of the CG Code. The chairman is responsible for the management of the Board to formulate business development strategy; while the chief executive officer focuses on the day-to-day management of business and operations.

Term of Appointment and Re-election of Directors

Each of the four Executive Directors, who are currently serving the Board, has entered into a service contract or letter of appointment with the Company as follows: Mr. An Xilei has entered into a service contract with the Company terminable by either party giving not less than three months' notice in writing served by either party on the other; Mr. Wong Hong Gay Patrick Jonathan has entered into a service contract with the Company for an initial fixed term of one year and shall continue thereafter until terminated by not less than six months' notice in writing served by either party on the other; Mr. Mock Wai Yin has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other; and Mr. Liu Shihao has entered into a service contract with the Company terminable by either party giving not less than three months' notice in writing served by either party on the other. Each of the three Independent Non-executive Directors has entered into a service contract or letter of appointment with the Company as follows: Mr. Chan Chi Keung Alan has entered into a service contract with the Company for a term of one year renewable automatically for successive terms of one year until terminated by not less than one month's notice in writing served by either party on the other. Each of Ms. Lau Mei Ying and Mr. Wong Man Hong has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other. The terms of office of all Directors are subject to retirement by rotation and re-election at annual general meetings at least once every three years in accordance with the provisions of the articles and association of the Company (the "Articles of Association").

In accordance with Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy on the Board shall hold office only until the first annual general meeting of Members after his appointment and shall be eligible and subject to re-election at such meeting. In accordance with Article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. The Directors to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Mr. Liu Shihao shall retire from office at the 2024 Annual General Meeting pursuant to Article 83(3) of the Articles of Association, and Mr. Mock Wai Yin, Ms. Lau Mei Ying and Mr. Wong Man Hong shall retire by rotation at the 2024 Annual General Meeting pursuant to Article 84 of the Articles of Association. All of them being eligible, will offer themselves for re-election at such annual general meeting.

Board Independence

The Company recognises that board independence is pivotal in good corporate governance and board effectiveness. In compliance with Code Provision B.1.4 of the CG Code, the Board has established a mechanism to ensure a strong independent element on the Board which allows the Board to effectively exercise independent judgement to better safeguard Shareholders' interests.

The governance framework and board independence evaluation mechanism is summarised as follows:

- Three out of seven Directors are Independent Non-executive Directors, which meets the requirements of the GEM Listing Rules that the Board must have at least three Independent Non-executive Directors and must appoint Independent Non-executive Directors representing at least one-third of the Board.
- The nomination committee of the Company will assess annually the independence of all Independent Non-executive Directors and to affirm if each of them satisfies the criteria of independence as set out in the GEM Listing Rules and is free from any relationships and circumstances which are likely to affect their independent judgement. Every member of the above committee should abstain from assessing his/her own independence.
- External independent professional advice is available as and when required by individual Directors.
- Directors are encouraged to access and consult with the Company's management, if necessary.

The implementation and effectiveness of the mechanism is reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Confirmation of Independence of Independent Non-executive Directors

Each of the existing Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is not aware of any subsequent change of circumstance which may affect their independence. The Company is of the view that all existing Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Directors' Participation in Continuous Professional Trainings

Newly appointed Directors will be provided with necessary induction and information to ensure that they have a proper understanding of the Company's business and operations, as well as director's responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

Under Code Provision C.1.4 of the CG Code, 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. The Company will provide the Directors with updates on laws, rules and regulations which may be relevant to their roles, duties and functions as director of a listed company, as well as updates on the Company's performance, position and prospects as and when appropriate to enable them to discharge their duties. Directors are also encouraged to attend relevant training courses at the Company's expense.

A summary of training taken during the Financial Year by the Directors who are currently serving the Board is set out below:

	Training activities including in-house briefings/updates, training courses/seminars held by professional organisations and/or reading materials on relevant topics
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Executive Directors:

Mr. AN Xilei	✓
Mr. WONG Hong Gay Patrick Jonathan	✓
Mr. MOCK Wai Yin	✓
Mr. LIU Shihao (<i>appointed on 5 September 2023</i>)	✓

Independent Non-executive Directors:

Mr. CHAN Chi Keung Alan	✓
Ms. LAU Mei Ying	✓
Mr. WONG Man Hong	✓

BOARD COMMITTEES

The Board has set up various committees to oversee specific aspects of the Company's affairs to enhance efficiency and effectiveness in the management of the Board for delivering the Company's objectives.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established with written terms of reference in compliance with the relevant code provisions of the CG Code applicable from time to time. The terms of reference of the Audit Committee adopted on 26 March 2012 were amended in January 2016 and January 2019 to reflect the additional responsibilities of the Audit Committee in view of the requirements on risk governance in the corporate governance code applicable to accounting periods beginning on or after 1 January 2016 and to reflect the relevant amendments to the corporate governance code and the related GEM Listing Rules which took effect on 1 January 2019 respectively. The latest version of the terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system, risk management and internal control procedures. It reports to the Board and has held regular meetings to review and make recommendations to improve the Group's financial reporting and internal control matters.

The composition of the Audit Committee during the Financial Year and up to the date of this report is as follows:

Independent Non-executive Directors:

Mr. WONG Man Hong (*Chairman*)

Mr. CHAN Chi Keung Alan

Ms. LAU Mei Ying

During the Financial Year, the Audit Committee has held four meetings and the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. WONG Man Hong (<i>Chairman</i>)	4/4
Mr. CHAN Chi Keung Alan	4/4
Ms. LAU Mei Ying	4/4

CORPORATE GOVERNANCE REPORT (CONTINUED)

The summary of work of the Audit Committee during the Financial Year is as follows:

- reviewed the annual, interim and quarterly reports of the Company and provided advice and recommendations to the Board in such regard;
- met with the external auditors and reviewed the annual report of the Company;
- reviewed the effectiveness of the Company's internal control and risk management systems;
- recommended the re-appointment of the auditors; and
- met with the external auditors and reviewed audit fees, nature and scope of the audit, reporting obligations and other relating matters before commencement of audit.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established with written terms of reference in compliance with the relevant code provisions of the CG Code applicable from time to time. The written terms of reference of the Remuneration Committee adopted on 26 March 2012 were amended in March 2023 to reflect the relevant amendments to the corporate governance code and the related GEM Listing Rules which took effect on 1 January 2022. The latest version of the terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for, among others, making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy and to review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives. According to Code Provision E.1.2(i) of the CG Code, the Remuneration Committee should also review and/or approve matters relating to share schemes under Chapter 23 of the GEM Listing Rules. The Company had neither any share option scheme nor any share options remained outstanding as at 31 December 2023 and up to the date of this report. Therefore, no material matter relating to share option scheme has been reviewed by the Remuneration Committee.

The composition of the Remuneration Committee during the Financial Year and up to the date of this report is as follows:

Independent Non-executive Directors:

Mr. WONG Man Hong (*Chairman*)

Mr. CHAN Chi Keung Alan

Ms. LAU Mei Ying

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Financial Year, the Remuneration Committee has held two meetings and the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. WONG Man Hong (<i>Chairman</i>)	2/2
Mr. CHAN Chi Keung Alan	2/2
Ms. LAU Mei Ying	2/2

The summary of work of the Remuneration Committee during the Financial Year is as follows:

- recommended to the Board on the remuneration packages of individual director upon appointment;
- recommended to the Board the discretionary bonus, if any, payable to the Executive Directors for the Financial Year;
- reviewed the remuneration packages of the Executive Directors for the Financial Year; and
- reviewed the director's fees of the Non-executive Directors (including the Independent Non-executive Directors) for the Financial Year.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established with written terms of reference in compliance with the relevant code provisions of the CG Code applicable from time to time. The written terms of reference of the Nomination Committee adopted on 26 March 2012 were amended in January 2019 to reflect the relevant amendments to the corporate governance code and the related GEM Listing Rules which took effect on 1 January 2019. The latest version of the terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, identifying individuals suitably qualified to become Directors, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the Nomination Committee during the Financial Year and up to the date of this report is as follows:

Independent Non-executive Directors:

Mr. WONG Man Hong (*Chairman*)

Mr. CHAN Chi Keung Alan

Ms. LAU Mei Ying

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Financial Year, the Nomination Committee has held two meetings and the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. WONG Man Hong (<i>Chairman</i>)	2/2
Mr. CHAN Chi Keung Alan	2/2
Ms. LAU Mei Ying	2/2

The summary of work of the Nomination Committee during the Financial Year is as follows:

- evaluated and made recommendation on individuals nominated for directorship;
- reviewed the structure, size and composition of the Board having due regard to the Board Diversity Policy;
- reviewed the independence of the Independent Non-executive Directors; and
- made recommendation on the retiring Directors at the 2024 Annual General Meeting of the Company for re-election.

Board Diversity Policy

The Company recognizes the benefits of diversity of Board members. The board diversity policy of the Company (the “Board Diversity Policy”) has been published on the Company’s corporate website (www.cs8112.com) for public information. A summary of this policy is set out below. In designing the Board’s composition and selecting candidates to the Board, board diversity has been considered from a number of aspects and measurable objectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee monitors the implementation of the Board Diversity Policy and reviews the policy from time to time and shall bring to the attention of the Board any significant issues or recommendations as and when necessary and appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions to the Board Diversity Policy that may be required and recommend any such revisions to the Board for consideration and approval. The Board will review the implementation and effectiveness of the Board Diversity Policy annually. It is considered that the existing Board is sufficiently diverse.

The Nomination Committee from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management. For the year ended 31 December 2023 and up to the date of this report, the Board comprises seven Directors. Three of them are Independent Non-executive Directors and independent of management, thereby promoting critical review and control of the management process. The Board is considered as diversified in terms of gender, professional background and skills of its members.

Gender Diversity

Board Level

For the year ended 31 December 2023 and up to the date of this report, the Board comprises six male members and one female member. The current female representation on the Board is in compliance with the relevant requirement of Rule 17.104 of the GEM Listing Rules as regards gender diversity and will be maintained. Further, the existing Board composition is considered as sufficiently diverse in terms of gender ratio according to the circumstances of the Company for the time being.

Workforce Level

The Company welcomes all gender to join. The recruitment strategy is to employ a right staff member for a right position regardless of the gender. The Company commits to provide equal opportunities to its staff in respect of recruitment, training and development, job advancement, and remuneration and benefits. Details of workforce composition in Hong Kong and Singapore were disclosed in the Environmental, Social and Governance Report in this annual report.

Nomination of Directors

The Nomination Committee is responsible for the formulation of nomination policies, making recommendations to Shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons for selection and appointment by the Board to fill casual vacancies or as additions to the Board.

The Company adopted a nomination policy (the "Nomination Policy") in March 2019, which has been published on the Company's corporate website for public information. The Nomination Policy sets out the selection criteria and procedures governing the nomination of Directors applicable to both new appointments and re-appointments. A summary of this policy is set out below. When assessing the suitability of individuals nominated for directorships (including a Director eligible for re-appointment), it will take into consideration selection criteria such as expertise, experience, diversity perspectives as set out in the Board Diversity Policy, integrity and commitment.

The Nomination Committee will monitor the implementation of the Nomination Policy from time to time and make recommendations to the Board on any proposed revisions as and when necessary to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate Governance Committee

The corporate governance committee of the Company (the “Corporate Governance Committee”) was established with written terms of reference in compliance with the relevant code provisions of the CG Code applicable from time to time. The written terms of reference of the Corporate Governance Committee are available on the websites of the Company and the Stock Exchange.

The composition of the Corporate Governance Committee during the Financial Year and up to the date of this report is as follows:

Executive Directors:

Mr. AN Xilei (*Chairman*)

Mr. MOCK Wai Yin

Independent Non-executive Director:

Ms. LAU Mei Ying

Pursuant to Code Provision A.2.1 of the CG Code, the primary duties of the Corporate Governance Committee include, among others, to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of directors and senior management; and to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements.

During the Financial Year, the Corporate Governance Committee has held one meeting and the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. AN Xilei (<i>Chairman</i>)	1/1
Mr. MOCK Wai Yin	1/1
Ms. LAU Mei Ying	1/1

The summary of work of the Corporate Governance Committee during the Financial Year is as follows:

- reviewed the corporate governance policies and practices of the Group;
- reviewed the training programmes for Directors and senior management of the Company;
- reviewed the Company’s code of conduct and other compliance manuals;
- reviewed the current practices on compliance with legal and regulatory requirements;
- provided latest updates on laws, rules and regulations to Directors; and
- reviewed the compliance with the Code Provisions and disclosures in the Corporate Governance Report.

Executive Committee

The Board established the Executive Committee on 26 March 2018 with specific terms of reference to deal with its authority and duty. To enhance its corporate governance and in line with the changes to the composition of the Board, the written terms of reference of the Executive Committee were amended in October 2018. The latest version of the terms of reference of the Executive Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Executive Committee include, among others, to make business and investment decisions; to evaluate, determine and approve the Company's funding requirements and to formulate financial/treasury planning strategy; to agree the required facilities with banks and/or financial institutions in accordance with the financial/treasury plan approved by the Board; and to assume such other responsibilities as from time to time may be delegated by the Board.

The composition of the Executive Committee during the Financial Year and up to the date of this report is as follows:

Executive Directors:

Mr. AN Xilei (*Chairman*) (*Note*)

Mr. LIU Shihao (*appointed on 5 September 2023*)

Mr. GAO Ran (*Chairman*) (*resigned on 5 September 2023*)

During the Financial Year, the Executive Committee has held one meeting and the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. AN Xilei (<i>Chairman</i>) (<i>Note</i>)	1/1
Mr. LIU Shihao (<i>appointed on 5 September 2023</i>)	1/1
Mr. GAO Ran (<i>Chairman</i>) (<i>resigned on 5 September 2023</i>)	N/A

Note: During the Financial Year, the position of chairman of the Executive Committee was taken up by Mr. Gao Ran up to 5 September 2023. Upon the resignation of Mr. Gao Ran, Mr. An Xilei, being a member of the Executive Committee, was appointed as its chairman effective from 5 September 2023.

Investment Committee

The Board established the investment committee (the "Investment Committee") in August 2022 with specific terms of reference to deal with its authority and duty. The terms of reference of the Investment Committee are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The objective of the Investment Committee is to, among others, enhance the Group's investment returns, preserve the value of the Company's reserves and/or achieve capital appreciation. The Executive Committee provides oversight and direction to the Investment Committee. Its primary duties include, among others, to evaluate investment projects for the long-term business development of the Company and relevant financing solutions for making recommendation to the Board; to review the Company's financial controls, investing capital, financing strategy and treasury risk management in relation to investment projects from time to time; to supervise and monitor the implementation of investment matters duly approved by the Board; and to assume such other responsibilities as from time to time may be delegated by the Board.

The Investment Committee during the Financial Year and up to the date of this report comprises two Executive Directors and the financial controller of the Company. During the Financial Year, Mr. Gao Ran was a member and the chairman of the Investment Committee up to 5 September 2023 upon his resignation as a Director. On 5 September 2023, Mr. An Xilei, being a member of the Investment Committee, was appointed as its chairman, and Mr. Liu Shihao was appointed as a member of the Investment Committee.

The Investment Committee deals with matters within its delegated authority and may convene meetings as and when necessary. No meetings were held by the Investment Committee during the Financial Year.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of Executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of Non-executive Directors (including Independent Non-executive Directors) is to ensure that the Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of Non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends.

Details of directors' and chief executive officer's emoluments and the five highest paid employees in the Group are set out in Notes 15 and 14 to the Consolidated Financial Statements respectively.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and suitable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable; and the financial statements are prepared on a going concern basis.

Financial Reporting

Pursuant to Code Provision D.1.2 of the CG Code, the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. During the Financial Year, instead of monthly updates, the management has provided to the Board quarterly updates containing consolidated financial statements with summaries of key events and outlook of the Group for the pertaining period for review and discussion in the regular Board meetings concerned. In addition, the management will provide to the Board with updates in a timely manner if there are material events affecting the performance, position and prospects of the Company. Accordingly, it is considered that the purpose of providing regular updates on the Company's performance, position and prospects can be achieved.

Auditor's Remuneration

During the Financial Year, the Company engaged Yongtuo Fuson CPA Limited ("Yongtuo Fuson") as the external auditors. The fee in respect of annual audit services provided by Yongtuo Fuson for the Financial Year amounted to approximately HK\$850,000 (2022: HK\$850,000). The fee in respect of non-audit services provided by Yongtuo Fuson for the Financial Year was nil (2022: HK\$120,000).

The reporting responsibilities of Yongtuo Fuson are set out in the Independent Auditor's Report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing, maintaining and monitoring of the Group's systems of risk management and internal control, which should cover all material controls including financial, operational and compliance controls. The systems include a defined management structure with limits of authority, and are designed to help the Group identify and manage significant risks to achieve its business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulation. Such systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve business objectives.

Pursuant to Code Provision D.2.5 of the CG Code, the Group should have an internal audit function. There is currently no internal audit function within the Group. Taking into account of its size, nature and complexity of its business operations, the Group considers that the current organisation structure and management could provide adequate risk management and internal control of the Group. The Heads of each core business segment monitor compliance with policies and procedures and the effectiveness of internal control systems in respect of their responsible business segments. The Company also engaged an independent external consulting firm to review and assess the effectiveness of the risk management and internal control systems of the Group during the Financial Year. The assessment covers all material controls including financial, operational and compliance controls, as well as risk management functions during the Financial Year. The Audit Committee has reviewed the assessment report with the management, and noted that, there were no significant areas that caused the external consultants to believe the internal control and risk management procedures of the Group are not properly designed and implemented in all material respects. The Company also conducted a review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year under review. Accordingly, the Board was satisfied that the prevailing risk management and internal control systems of the Group are effective and adequate.

The Group acknowledges the disclosure obligation under the Inside Information Provision of the Securities and Futures Ordinance and the GEM Listing Rules. The procedures and internal controls for the handling and dissemination of inside information are summarized as follows:

- the Group has formulated its inside information policy (the "Inside Information Policy") for the handling and dissemination of Inside Information with reference to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012.
- the Group follows a fair disclosure approach by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- Directors and employees are reminded from time to time to exercise due care when handling Inside Information, and kept informed of the latest regulatory updates in such regard in due course;
- the Group has strictly prohibited unauthorised use of confidential or Inside Information; and
- Inside Information should be announced immediately when it is the subject of a decision.

In compliance with Code Provision D.2.6 of the CG Code, the Company adopted a whistleblowing policy (the “Whistleblowing Policy”) on 11 November 2022 for employees of the Group and other stakeholders to raise concerns, in confidence, about possible improprieties in operation, financial reporting or other matters.

In compliance with Code Provision D.2.7 of the CG Code, the Company adopted an anti-corruption policy (the “Anti-Corruption Policy”) on 11 November 2022 to ensure employees of the Group and those parties who are doing business with the Group are aware of the applicable anti-corruption laws, rules and regulations.

The Whistleblowing Policy and the Anti-Corruption Policy have been published on the Company’s corporate website (www.cs8112.com).

DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company’s affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company’s articles of association as well as the Board’s policies and practices (in so far as the same are not in conflict with the provisions contained in the Articles of Association).

The Board has established six committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee, the Executive Committee and the Investment Committee. The majority of members of the Audit Committee, the Remuneration Committee and the Nomination Committee must be the Independent Non-executive Directors, so that the Independent Non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees that they are serving.

The Board has delegated the responsibility to the Corporate Governance Committee for performing the corporate governance duties as set out in Code Provision A.2.1 of the CG Code.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the Executive Directors, in particular the Executive Committee which has been established to facilitate efficient operations and management of the Group; and the Investment Committee (overseen by the Executive Committee) to explore potential investment projects and to make recommendation to the Board for consideration. Clear guidance has been made as to the matters that should be reserved to the Board for its decision.

COMPLIANCE OFFICER

Mr. Mock Wai Yin assumed responsibility for acting as the compliance officer of the Company pursuant to Rule 5.19 (repealed on 1 January 2024) of the GEM Listing Rules during the Financial Year.

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMPANY SECRETARY

Ms. Chan Sau Chee (“Ms. Chan”) is the company secretary of the Company. She is an associate member of the Chartered Governance Institute and The Hong Kong Chartered Governance Institute. She reports to the Executive Directors and is responsible for advising the Board on corporate governance and other company secretarial matters. In compliance with Rule 5.15 of the GEM Listing Rules, Ms. Chan has taken not less than 15 hours of relevant professional training to update her skill and knowledge during the year ended 31 December 2023.

CONSTITUTIONAL DOCUMENTS

During the Financial Year, the Company has amended its memorandum and articles of association (the “Memorandum and Articles of Association”) in order to conform to, among others, the core standards for shareholder protection as required by the GEM Listing Rules, as approved by special resolution at the annual general meeting of the Company on 11 May 2023. The Company’s second amended and restated Memorandum and Articles of Association is available for inspection on the websites of the Company and the Stock Exchange. Please refer to the Company’s circular dated 31 March 2023 and announcement dated 11 May 2023 for details.

SHAREHOLDERS’ RIGHTS

The way by which Shareholders can convene extraordinary general meeting(s) (“EGM”)/put forward proposal(s)

According to the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

And, if a Shareholder wishes to propose a person other than a Director retiring for election as a Director at an annual general meeting (“AGM”), the Shareholder should deposit a written notice of nomination at the head office of the Company or at the office of the Company’s Branch Share Registrar within a period of at least seven (7) days commencing from the day after the dispatch of the AGM notice and ending no later than seven (7) days prior to the date of the AGM. The relevant procedures will be set out in the circular containing, among others, the notice convening the 2024 Annual General Meeting of the Company.

The procedures for sending enquiries to the Board

Specific enquiries from Shareholders to the Board can be sent in writing to the Company at our head office in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

Save as mentioned under the section headed “The Procedures for Sending Enquiries to the Board” above, in order to provide more relevant information to our Shareholders, the Company has published all corporate information, news and events about the Group on its website for easy access by the Shareholders. Further, annual and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management.

The Company has assessed the above shareholders’ communication policy and channels and considered that they were effective during the year under review.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting on the Group’s performance on environmental, social and governance is set out in the “Environment, Social and Governance Report” of this annual report.

Hong Kong, 28 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

This Environmental, Social and Governance Report (the “ESG Report”) summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in (i) financial services; and (ii) provision of OOH advertising services during the year ended 31 December 2023.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

REPORTING SCOPE

Unless stated otherwise, this report mainly covers the Group’s major operating revenue activities under direct management control, including but not limited to (i) financial services; and (ii) advertising and media services.

The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix C2 of the GEM Listing Rules (the “ESG Reporting Guide”).

Information relating to the corporate governance practices of the Group has been set out in the “Corporate Governance Report” section of this report.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

REPORTING PERIOD

The ESG Report specifies the environmental, social and governance activities, challenges and measures being taken during the year ended 31 December 2023.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The following table summarises the Group's significant environmental, social and governance issues as set out in this report:

The ESG Reporting Guide	Material ESG aspects of the Group
A. Environment	
A1. Emissions	Emissions, Wastewater and Waste Management Greenhouse Gas Emission
A2. Use of Resources	Energy Consumption Water Consumption and use of Packaging materials
A3. The Environment and Natural Resources	Environmental Impact Management
A4. Climate Change	Climate-related Issues
B. Society	
B1. Employment	Employee Benefits and Equal Opportunities Policies
B2. Health and Safety	Occupational Health and Safety
B3. Development and Training	Staff Development and Training
B4. Labor Standards	Prevention of Child Labor or Forced Labor
B5. Supply Chain Management	Environmental and Social Risk Management of Supply Chain
B6. Product Responsibility	Quality and Safety of Products and Services Intellectual Property Management Social Moral Standards Data Protection and Privacy
B7. Anti-Corruption	Prevention of Corruption and Fraud
B8. Community Investment	Contributions to Society

During the year ended 31 December 2023, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

Contact us

Comments and suggestions are welcome from our stakeholders. You may provide comments on ESG report or towards our performance in respect of sustainable development.

A. ENVIRONMENT

A1. Emissions

Policy

The businesses of the Group, which mainly involves (i) financial services; and (ii) advertising and media services, mainly rely on internet technology and related equipment and do not involve any manufacturing processes in the course of business. Therefore, during the year ended 31 December 2023 and 2022, the Group and its office did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for greenhouse gas (“GHG”) emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting of environmental perspective, we mainly focused on the environmental impact of the Group’s offices in Hong Kong and Singapore and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern limited greenhouse gas emissions and non-hazardous waste generated from our operation.

Compliance with Relevant Laws that have Significant Impact

The Group has complied with relevant environmental laws and regulations in Hong Kong, including but not limited to Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance, Environmental Impact Assessment Ordinance, Ozone Layer Protection Ordinance, and Product Eco-responsibility Ordinance. During the year ended 31 December 2023 and 2022, the Group was not aware of any material noncompliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

Performance of the Group on pollution control has not given rise to any serious concern from the Group or government departments. No breach of statutory requirements or penalties have been recorded in the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Waste management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper, toner cartridges and ink cartridges. The consumption volume generated by the Group is shown as below:

For the year ended 31 December 2023:

Non-hazardous waste category	Quantity	Unit	Intensity — Unit per employee
Paper	0.2	Tonnes	0.004
Toner cartridge	8.2	Pieces	0.155

For the year ended 31 December 2022:

Non-hazardous waste category	Quantity	Unit	Intensity — Unit per employee
Paper	0.2	Tonnes	0.005
Toner cartridge	8.8	Pieces	0.176

We regularly monitor the consumption volume of paper and toner cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

GHG emission

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2023, the Group's total GHG emissions amounted to approximately 44.0 (2022: 42.1) tonnes and the total GHG emission per employee was 0.85 (2022: 0.84) tonne/employee. The detailed summary of the GHG emission is shown as below:

GHG Performance Summary

For the year ended 31 December 2023:

GHG Scope (in carbon dioxide equivalent)	Tonnes	Intensity — Tonnes per employee
Direct GHG emission (Scope 1) — petrol consumption	9.2	0.17
Indirect GHG emission (Scope 2) — electricity consumption	33.7	0.64
Other indirect GHG emission (Scope 3) — paper and water consumption	1.2	0.02
Total GHG emission	44.0	0.83

For the year ended 31 December 2022:

GHG Scope (in carbon dioxide equivalent)	Tonnes	Intensity — Tonnes per employee
Direct GHG emission (Scope 1) — petrol consumption	8.6	0.17
Indirect GHG emission (Scope 2) — electricity consumption	32.2	0.64
Other indirect GHG emission (Scope 3) — paper and water consumption	1.3	0.03
Total GHG emission	42.1	0.84

The Group has implemented a number of measures to mitigate energy consumption such as turning off the lighting and air-conditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

At the project level, the Group considers the principle of environmental protection when launching each of its projects. For example, in the course of selecting suppliers, we assess whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimize carbon emissions. In addition to the above-mentioned measures, the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

On top of complying with the general disclosure requirement of Aspect A1, we have complied with the KPI requirement, while the exception is summarized below:

"Comply or explain" Provisions

KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Not applicable
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A2. Use of Resources

Energy Consumption

Due to the business nature of the Group, the volume of energy consumption, electricity consumption and water consumption are considered as relatively low, in particular water consumption is very minimal. As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

The Group's consumption in petrol and electricity is shown as below:

For the year ended 31 December 2023:

Energy Type	Quantity	Unit	Intensity — Unit per employee
Petrol	3,583	litre	67.61
Electricity	48,289	kWh	911.11

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

For the year ended 31 December 2022:

Energy Type	Quantity	Unit	Intensity — Unit per employee
Petrol	3,182	litre	63.64
Electricity	46,270	kWh	925.40

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

Water consumption and use of packaging materials

During the year ended 31 December 2023 and 2022, the Group does not consume significant water in its business activities and thus does not have significant issue in sourcing water. Regardless of limited water consumption, we still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials for finish products. Therefore, this disclosure is not applicable to the Group.

On top of complying with the general disclosure requirement of Aspect A2, we have complied with the KPI requirement, while the exception is summarized below:

"Comply or explain" Provisions		
KPI A2.5	Total packaging material used for finished products.	Not applicable

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

A3. Environment and Natural Resources

Environmental impact management

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimises such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

Noise Pollution

Noise pollution practices are implemented during our program production and event organisation activities, in order to minimise the noise pollution. Programs are produced in the studios with good soundproof facilities.

Outdoor lightings

During outdoor advertising production and event organisation, the lightings are adjusted to avoid disturbing neighborhood whenever possible.

Landscape and natural habitat

The Group strives to minimise any unnecessary interference to the natural landscape and animal habitat in the process of advertising production and event organisation, in order to maintain the natural beauty of the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2023 and 2022, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

A4. Climate Change

Addressing climate change risks

The current major climate-related hazards affecting the Group mainly include typhoons and rainstorms especially in the summers. The Group recognizes that climate change has been affecting different dimensions of our stakeholders, business operations and our community. Principally, the Group aims to ensure smooth business operations even during such conditions and to mitigate the risks and impacts posed to the Group. The Group has been closely monitoring the impact of climate change to mitigate these potential risks as follows in this Reporting Period:

The Group is fully aware of the risks brought forth by climate change, especially the extreme weather conditions such as typhoons and rainstorms which may endanger the health and safety of employees. Therefore, we have developed comprehensive typhoon and rainstorm arrangements to safeguard the health and safety of our employees under extreme weather conditions. The work arrangements cover the arrangements in respect of reporting for duty, early release from work, the resumption of work, and the special arrangements in respect of essential staff in times of adverse weather. The Group also gives consideration as much as possible to the different situations faced by individual employees, such as their place of residence, the road and traffic conditions in the vicinity, and adopt a sympathetic and flexible approach with due regard to their actual difficulties and needs. For example, the Group adopts a staggered release schedule for employees, giving priority to those who live in remote places where public transport is not easily accessible. Meanwhile, the Human Resources Department will remind and keep employees updated on the latest weather condition through emails under extreme weather condition.

For the policy risks from climate-related hazards, the impact of the potential government policy risk is relatively low since the Group's carbon footprint is minimal.

For the legal risks from climate-related hazards, the Group was not aware of any climate change related litigations from third parties and any life or property loss caused by climate-related hazards in this Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B. SOCIETY

B1. Employment

Employee Benefits and Equal Opportunities Policies

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2023 and 2022, the Group has fully complied with the statutory requirements in Hong Kong, including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance, as well as the statutory requirements in Singapore, including Employment Act (Chapter 91) of Singapore, Central Provident Fund Act, Employment of Foreign manpower Act (Chapter 91A) of Singapore.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's staff handbook contains policies in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

Compliance with Relevant Laws that have Significant Impact

No employment laws and regulation in the areas in which the Group operates have significant direct impact on the Group. Nevertheless, the Group maintains a policy of strict compliance with all employment laws and regulations. The human resources department is responsible for this compliance through its recruitment process and ensures that all existing benefits, welfare and employment terms are in accordance with local laws and regulations

During the year ended 31 December 2023 and 2022, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

At the year ended 31 December 2023, the Group has 53 employees (2022: 50) who are full-time employees and has no part-time employee (2022: Nil). The Group considered that gender and geographical region are two material factors to analyses the diversity of the workforce:

By gender	2023		2022	
	Workforce	Turnover Rate	Workforce	Turnover Rate
Male	47.2%	20.8%	48.0%	20.0%
Female	52.8%	15.4%	52.0%	4.0%
By region				
China (including Hong Kong and Macau)	77.4%	15.8%	76.0%	11.6%
Singapore	22.6%	25.0%	24.0%	0.0%

B2. Health and Safety

Occupational Health and Safety Policies

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

Compliance with Relevant Laws that have Significant Impact

During the year ended 31 December 2023 and 2022, the Group has complied with the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance and Employees' Compensation Ordinance, as well as the legislative requirements in Singapore, including the Workplace Safety and health Act and Work Injury Compensation Act.

During the year ended 31 December 2023 and 2022, the Group was not aware of any non-compliance with the health and safety laws and regulations, and the Group did not record any injury cases and loss of man days. Human resource department investigates and analyses every case and implements correspondence preventive measures if necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B3. Development and Training

Staff Development and Training

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed. On-job practical trainings are offered to employee to equip them with the relevant skill sets to enable them to provide quality and efficient services to customers.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience.

The Group has made good use of its internal resources to organise various forms of training for its offices in Hong Kong and Singapore, including management, customer service and financial knowledge with the assistance of the Hong Kong Office of General Services.

The Group encourages lifelong learning at all employee level with no age, gender and geographic restrictions as the contributions of its employees are of prime importance to its success. The Group organised various training programmes, including communication skills training, on-job practical training, experience sharing workshops, focus groups of occupational safety and health, round-table discussion of contingency planning, and group management of Code of Conduct. The programmes aim to equip the Group's employees with the right skills and attitude to reach their potential and to become more efficient and prepared to deliver the best quality services to customers and stakeholders.

B4. Labour Standards

Policy

The Group strictly prohibits employing any child labor or forced labor in its operations in Hong Kong and Singapore. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging vendors and contractors which are already known to be employing child labor or forced labor in their operations.

Compliance with Relevant Laws that have Significant Impact

The Group has complied with the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Employment Act and the Employment (Children and Young Persons) Regulations of Singapore.

During the year ended 31 December 2023 and 2022, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B5. Supply Chain Management

Environmental and Social Risk Management of Supply Chain

The Group has established and implemented the Supplier Management Policy. In order to strengthen the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers to join. The Group's procurement department has specially formulated this policy in order to standardise the supplier management and improve the operational standard.

In addition, due to the nature of principal business, the Group did not have physical raw materials for production or finished goods for sales to be purchased and therefore the environmental and social risk from supply chain management are limited. Regarding the procurement of office supplies and services, the Group's procurement department is responsible for organising the supplier evaluation work in two ways which include the ongoing evaluation and the annual assessment of vendors' background and news search. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

In the selection of new suppliers, the Group would compare at least three different companies for material procurement, taking account of their operational and compliance records as well as their commitment level on top of cost consideration. Prior to conducting business with suppliers, we would obtain understanding on suppliers in various aspects including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. This ensures that our operations comply with appropriate standards or relevant regulations and that we have no child or forced labor issues. The assessment results will be used as a benchmark for the continuation or termination of cooperation in the future.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B6. Product Responsibility

Policy

Quality and Safety of Products and Services

The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services.

During the reporting period, the Group had neither experienced any recovery product due to safety and health issue, nor received any complaint regarding our products and services.

Intellectual Property Management

The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2023 and 2022, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law and Intellectual Property Law of Singapore.

Social Moral Standards

In order to ensure the compliance with the regulations, the Group regularly checks the content of its advertising program production activities. The Group is committed to providing positive messages for the community. Content such as violence, pornography, hatred, superstition, gambling, etc. is strictly forbidden.

Data Protection and Privacy

Data security threats continue to escalate in the digital era, making data privacy and security a material issue for both the Group and its customers. We remain vigilant to security breaches, monitor privacy and security risks to enhance our ability to mitigate them.

We implement appropriate electronic and managerial measures to safeguard personal and commercial data, including encrypting sensitive data, using firewalls and allowing only authorised employees to access data for permitted business functions. We strictly abide by the requirements of the Personal Data (Privacy) Ordinance of Hong Kong and all relevant regulations worldwide.

Compliance with Relevant Laws that have Significant Impact

The Group has complied with the major relevant laws and regulations including the Administrative Measures on Internet Publishing Services circulated by the State Administration of Press, Publication, Radio, Film and Television and the Ministry of Industry and Information Technology, the Measures for the Administration of Internet Information Services of the People's Republic of China promulgated by the State Council, and the Interim Provisions on Internet Culture Management promulgated by the Ministry of Culture and so on, and similar laws and regulations in Hong Kong and Singapore.

During the year ended 31 December 2023 and 2022, the Group was not aware of any non-compliance with relevant laws and regulations related to product responsibility.

B7. Anti-Corruption

Prevention of Corruption and Fraud

Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service". For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement.

Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations including Prevention of Bribery Ordinance of Hong Kong and the Prevention of Corruption Act of Singapore.

The Group has also taken many measures to prevent any money laundering activities in the Group. At the time of account opening in its securities brokerage business, the Group will perform a name search in an antimoney laundering database system maintained and provided by a third party vendor, in order to screen each new client against current terrorist and sanction designations, and check whether the client is a Politically Exposed Person (PEP). New account applications lodged by terrorists or sanctioned entities would be rejected. Regular name checks of existing clients against the latest terrorist and sanction list issued by US Treasury Department, as recommended by the regulators, are also conducted. The Group performs regular reviews on transactions by high-risk clients, in order to identify suspicious transactions. In the event any suspicious transactions are noted, we will report them to the Joint Financial Intelligence Unit in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Compliance with Relevant Laws that have Significant Impact

There is a mandatory disclosure of any conflict of interest. The Group encourages the highest standard of integrity in their employees and require compliance with the relevant national anti-bribery laws and regulations. Transactions involving large monetary sums are processed through banks which require authorized signatories as well as triggering due diligence. Internal control systems in the Group regarding money transactions are considered effective and adequate, with the report of the independent auditor offering no adverse comment on this aspect.

During the year ended 31 December 2023 and 2022, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

B8. Community Investment


Contributions to Society

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group enhances the quality of life of community through arts, culture and entertainment using on demand systems and activities. Following the development of culture, the community can gain a deeper understanding of history and culture and cultivate higher appreciation of the present and future cultural activities and to a greater level of enjoyment.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the content of the advertising programmes and organized events are produced in accordance with the Group's policy of considering community interests and fully complied with the national regulations and rules, which further promotes positive news to the community and restricts any negative content, including as violence, pornography, hatred, superstition, gambling, to be broadcasted. The Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.



REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the Financial Year (the “Consolidated Financial Statements”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in Note 24 to the Consolidated Financial Statements.

SEGMENT INFORMATION

An analysis of the Group’s revenue and contribution to the loss from operations by principal activities and geographical area of operations for the year ended 31 December 2023 is set out in Note 6 to the Consolidated Financial Statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 and its future business development as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the “Management Discussion and Analysis” section of this annual report. Description of the principal risks and uncertainties facing the Group are set out in the section headed “Risk and Uncertainties” below.

The Board has not identified any important events affecting the Group that have occurred since the end of the Financial Year up to the date of this annual report.

In addition, discussion on the Group’s environmental policies and performance, key relationships with the Group’s key stakeholders as well as compliance with relevant laws and regulations which have a significant impact on the Company are set out in the “Environmental, Social and Governance Report” section of this annual report.

RISK AND UNCERTAINTIES

The followings are the principal risks and uncertainties identified by the Group which may affect the Group’s financial condition, operating results and business prospects. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Economic risks

- A severe or prolonged downturn of the global economy.
- Fluctuations in foreign currency exchange rates, inflation and fluctuations of interest rates would adversely affect customers’ spending sentiment and the Group’s profit margin.

REPORT OF THE DIRECTORS (CONTINUED)

Operational risks

- Failure to compete in the competitive environment in which the Group operates;
- Unable to keep pace with the technological advances in timely and cost-efficient manner; and
- Failure to attract, train, retain, and motivate qualified managerial, sales, marketing, operating, and technical personnel, the loss of key personnel, or the inability to find additional qualified personnel.

Regulatory risks

- Failure to adhere to laws, regulations and rules, or to obtain or maintain all applicable permits and approvals;
- Infringement of valid patents, copyrights or other intellectual property rights held by third parties; and
- Any change in laws and regulations in different customers' and suppliers' countries.

Financial risks

- Details of financial risks are set out in Note 39 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Financial Year and the state of affairs of the Group as at 31 December 2023 are set out in the Consolidated Financial Statements on pages 69 to 71.

DIVIDEND POLICY

The Company adopted a dividend policy ("Dividend Policy") in March 2019, pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash, in the form of shares or by way of distribution of specific assets of any kind, upon the recommendation of the Board. Any distribution of dividends shall be in accordance with the Articles of Association and subject to the relevant laws of the Cayman Islands.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. When deciding whether to propose a dividend payout, the Board will take into account, among other things, the financial results, the earnings, the operations and liquidity requirements, the capital requirements, the current and future development plans of the Group, the debt ratio, the interests of the Shareholders, and general economic conditions.

The Dividend Policy will be reviewed from time to time by the Board and revisions may be made to ensure its effectiveness as and when necessary. The Company does not have any pre-determined dividend distribution ratio and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Directors do not recommend the payment of final dividend for the Financial Year (2022: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 3. This summary does not form part of the Consolidated Financial Statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the Financial Year are set out in Note 34 to the Consolidated Financial Statements.

RESERVES

Details of movements in reserves of the Group and the Company during the Financial Year are set out in the consolidated statement of changes in equity and in Note 43 to the Consolidated Financial Statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$133,248,000 (2022: HK\$172,434,000).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 21% of the total sales for the Financial Year and sales to the largest customer included therein amounted to approximately 7%. Purchases from the Group's five largest suppliers accounted for approximately 41% of the total purchases for the Financial Year and purchases from the largest supplier included therein amounted to approximately 13%.

To the best knowledge of the Directors, neither the Directors, their close associates, nor any Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the Financial Year.

REPORT OF THE DIRECTORS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 18 to the Consolidated Financial Statements.

BORROWING

As at 31 December 2023, the Group did not have any charges on its assets (2022: Nil).

DIRECTORS

The Directors who hold office during the Financial Year and up to the date of this report are:

Executive Directors:

Mr. AN Xilei (*Chairman*) (*Note*)

Mr. WONG Hong Gay Patrick Jonathan (*CEO*)

Mr. MOCK Wai Yin

Mr. LIU Shihao (*appointed on 5 September 2023*)

Mr. GAO Ran (*Chairman*) (*resigned on 5 September 2023*)

Note: During the Financial Year, Mr. An Xilei held the position of Deputy Chairman up to 5 September 2023 and was appointed as the Chairman of the Company on the same date.

Independent Non-executive Directors:

Mr. CHAN Chi Keung Alan

Ms. LAU Mei Ying

Mr. WONG Man Hong

The Company has received annual confirmation of independence from each of its existing Independent Non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all of them are considered to be independent.

In accordance with Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy on the Board shall hold office only until the first annual general meeting of Members after his appointment and shall be eligible and subject to re-election at such meeting. Accordingly, Mr. Liu Shihao shall retire from office at the forthcoming annual general meeting ("2024 Annual General Meeting") and, being eligible, offer himself for re-election.

In accordance with Article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. The Directors to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Mr. Mock Wai Yin, Ms. Lau Mei Ying and Mr. Wong Man Hong shall retire by rotation at the 2024 Annual General Meeting and, all of them being eligible, will offer themselves for re-election.

No Director proposed for re-election at the 2024 Annual General Meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

PERMITTED INDEMNITY PROVISIONS

The Company has put in place appropriate insurance cover in respect of Directors' liability.

DIRECTORS' SERVICE CONTRACTS

Each of the four Executive Directors, who are currently serving the Board, has entered into a service contract or letter of appointment with the Company as follows: Mr. An Xilei has entered into a service contract with the Company terminable by either party giving not less than three months' notice in writing served by either party on the other; Mr. Wong Hong Gay Patrick Jonathan has entered into a service contract with the Company for an initial fixed term of one year and shall continue thereafter until terminated by not less than six months' notice in writing served by either party on the other; Mr. Mock Wai Yin has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other; and Mr. Liu Shihao has entered into a service contract with the Company terminable by either party giving not less than three months' notice in writing served by either party on the other. Each of the three Independent Non-executive Directors has entered into a service contract or letter of appointment with the Company as follows: Mr. Chan Chi Keung Alan has entered into a service contract with the Company for a term of one year renewable automatically for successive terms of one year until terminated by not less than one month's notice in writing served by either party on the other. Each of Ms. Lau Mei Ying and Mr. Wong Man Hong has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other.

The terms of office of all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings in accordance with the provisions of the Articles of Association.

No Director has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS IN CONTRACTS

Save as aforesaid, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the year or at any time during the year.

UPDATE OF DIRECTORS' INFORMATION

Save as disclosed in the Company's interim report for six months ended 30 June 2023 and elsewhere in this annual report, there have been no changes in information of Directors that are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

DIRECTORS' BIOGRAPHY

The biographical details of the Directors are disclosed in the section headed "Directors' Profile" of this annual report. The Executive Directors are regarded as members of the Group's senior management.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration committee of the Company is responsible for making recommendations to the Board on the Company's emolument policy as and when necessary. Directors' emoluments are determined by the Board with reference to factors including director's duties and responsibilities, the Company's remuneration policy and the prevailing market rate.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 14 and 15 to the Consolidated Financial Statements respectively.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Financial Year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

As at 31 December 2023, the Company did not enter into or have any management and administrative contracts in respect of the whole or any principal business of the Company.

CONNECTED TRANSACTIONS

During the Financial Year, the Company had not entered into any connected transaction (including continuing connected transaction) which is subject to the disclosure requirements under the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the Financial Year are disclosed in Note 37 to the Consolidated Financial Statements. Such transactions are exempt from the reporting requirement in accordance with Chapter 20 of the GEM Listing Rules in respect of connected transactions or continuing connected transactions.

SHARE OPTION SCHEMES

Since the expiration of the then share option schemes of the Company in March 2021, the Company has not adopted any new share option scheme. Further, all outstanding and unexercised options granted under the expired share option schemes lapsed and were cancelled in 2021 in accordance with the terms and conditions of the respective schemes. Accordingly, the Company had neither any share option scheme nor any outstanding share options as at 31 December 2023 up to the date of this report. At no time during the Financial Year was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

The Company will review from time to time the remuneration and reward system with reference to market norms and determine the need to adopt new share option scheme(s) under Chapter 23 of the GEM Listing Rules in the future.

REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 December 2023, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long Positions in the Ordinary Shares of HK\$0.01 each in the Company (the "Shares"), Underlying Shares and Debentures of the Company

Name of Director	Nature of interests	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholding in the Company (Note)
Mr. An Xilei	Beneficial owner	6,800,000	–	6,800,000	2.96%

Note: For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 229,418,448 Shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023 and up to the date of this report, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

Save as disclosed below, as at 31 December 2023 and up to the date of this report, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other persons or companies (other than a Director or a chief executive of the Company) had interests of 5% or more in the shares or underlying shares and/or short positions in the shares or underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Long Positions in the Shares

Name of Shareholders	Nature of interests	Number of Shares held	Approximate % of shareholding in the Company (Note 2)
Masan Multi Strategy Fund SPC – Masan HK Equity Fund SP (Note 1)	Beneficial owner	57,672,000	25.13%
Masan Capital Limited (Note 1)	Investment Manager	57,672,000	25.13%
Top Lion International Limited (Note 1)	Interest of controlled corporation	57,672,000	25.13%

Notes:

- These Shares are directly held by Masan Multi Strategy Fund SPC – Masan HK Equity Fund SP which is wholly owned by Masan Capital Limited which is in turn wholly owned by Top Lion International Limited.
- For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 229,418,448 Shares in issue as at 31 December 2023 and up to the date of this report.

Save as disclosed above, no other interests required to be recorded in the register kept under Section 336 of the SFO have been notified to the Company.

COMPETITION AND CONFLICT OF INTERESTS

During the year, none of the Directors, the management or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group, as defined in the GEM Listing Rules.

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

During the Financial Year, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

REPORT OF THE DIRECTORS (CONTINUED)

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained in this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from 7 May 2024 (Tuesday) to 10 May 2024 (Friday), both dates inclusive, during which period no transfer of shares in the Company shall be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 6 May 2024 (Monday).

AUDITOR

The Company's financial statements for the year ended 31 December 2023 were audited by Yongtuo Fuson CPA Limited. A resolution for re-appointment of Yongtuo Fuson CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

There has been no change in the Company's auditors in the preceding 3 years.

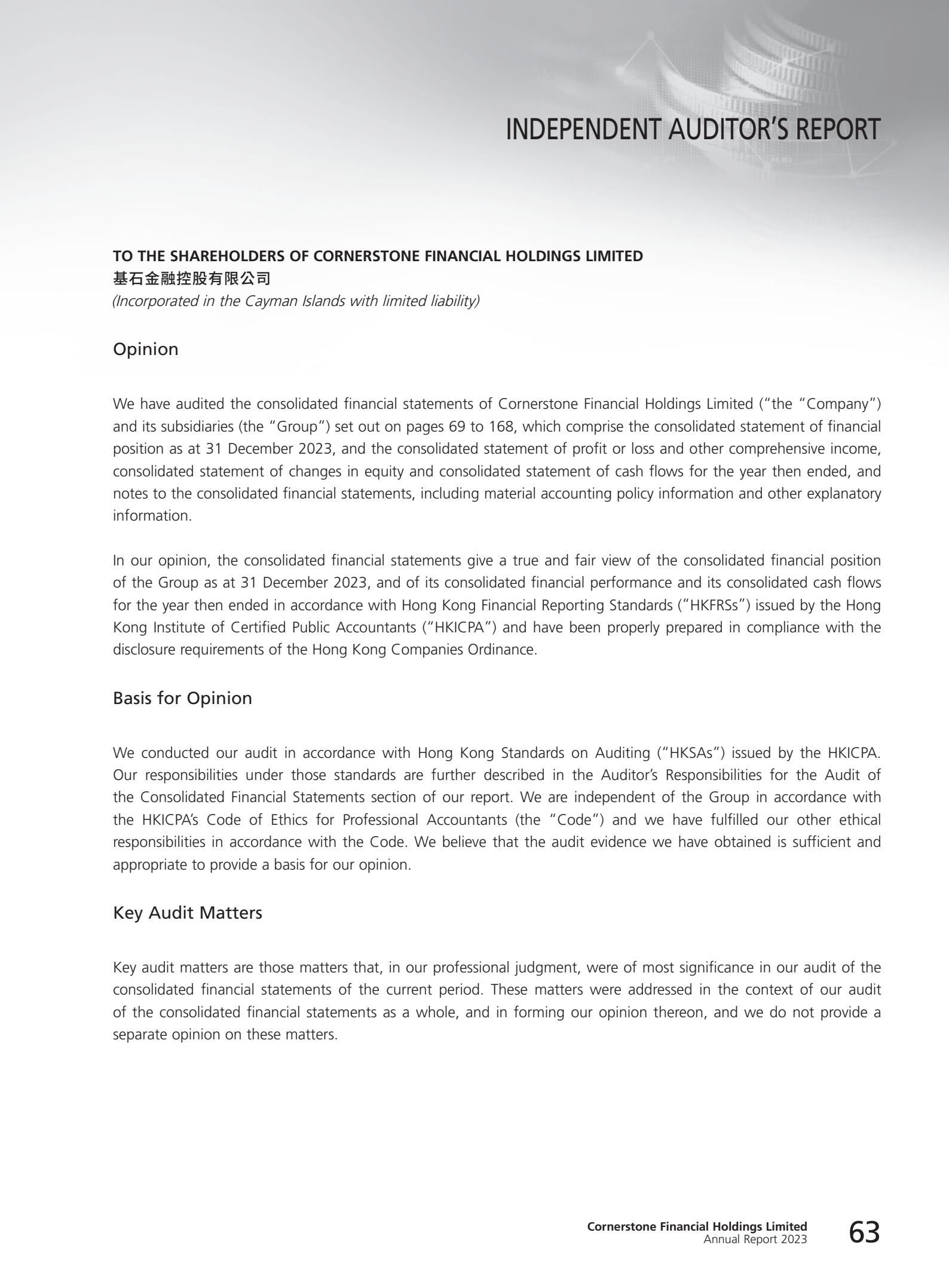
By order of the Board

Cornerstone Financial Holdings Limited

An Xilei

Chairman and Executive Director

Hong Kong, 28 March 2024



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CORNERSTONE FINANCIAL HOLDINGS LIMITED

基石金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Cornerstone Financial Holdings Limited (“the “Company”) and its subsidiaries (the “Group”) set out on pages 69 to 168, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (Continued)

Key audit matter

How the matter was addressed in our audit

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

As disclosed in notes 18 and 19 to the consolidated financial statements, as at 31 December 2023, the carrying amounts of the Group's property, plant and equipment and right-of-use assets were HK\$618,640 and HK\$8,326,040, respectively that are mainly related to the assets arising from the Group's advertising and media activities.

The management of the Group has performed impairment assessments of the property, plant and equipment and right-of-use assets at the end of the reporting period. When indication of possible impairment has been identified, recoverable amount is determined based on the higher of fair value less cost of disposal or value-in-use calculation of each cash-generating unit, in which the property, plant and equipment and right-of-use assets were allocated to.

We have identified the impairment assessments on property, plant and equipment and right-of-use assets as a key audit matter because of their significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing impairment assessments.

Our procedures in relation to the impairment assessments of property, plant and equipment and right-of-use assets included, among others, the following:

- Reviewing the management's judgements and estimates used in determining the indication of possible impairment and its impairment testing on the property, plant and equipment and right-of-use assets.
- Reviewing the impairment assessments prepared by the management of the Group, including the identification of possible impairment and the impairment testing.
- For the impairment testing, reviewing the underlying data and assumptions used in the calculation of fair value less cost of disposal or value-in-use of the respective cash-generating unit as recoverable amount, including the future revenue growth rates and operating costs for the following years and pre-tax discount rates and comparing those underlying data and assumptions used to the historical data and other available market sources.

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
<p>Impairment assessment of margin loan receivables</p> <p>As disclosed in note 25 to the consolidated financial statements, as at 31 December 2023, the Group had margin loan receivables of HK\$66,328,309 that are mainly related to the Group's financial services activities.</p> <p>The impairment assessment is dependent upon management's significant judgements and high level of estimation uncertainty, which includes making key assumptions and selecting inputs, including probabilities of default rates, expected recovery rates from loss given default, forward-looking information and macroeconomic environment.</p> <p>We have identified the determination of impairment assessment of margin loan receivables as a key audit matter because of their significant to the consolidated financial statements as a whole and the involvement of a significant degree of management judgement and estimation and may be subject to management bias.</p>	<p>Our procedures in relation to the impairment assessment of margin loan receivables included, among others, the following:</p> <ul style="list-style-type: none"> • Enquiring the management to understand the approach applied on ECL model of margin loan receivables. • Reviewing the judgement and estimates used by the management in the impairment assessment process and challenging the reasonableness of the key assumptions and inputs apply on the ECL model, including probability of default rates, expected recovery rates from loss given default, forward-looking information and macroeconomic environment. • Performing recalculation based on the above key assumptions and input data to ensure the accuracy of the ECL amount of margin loan receivables.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

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

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

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

Responsibilities of Directors of the Company and Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Fok Tat Choi.

Yongtuo Fuson CPA Limited

Certified Public Accountants

Fok Tat Choi

Practising Certificate Number P06895

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
Revenue	7	57,960,680	55,568,368
Cost of services		(21,694,814)	(19,686,499)
Gross profit		36,265,866	35,881,869
Other income	8	2,650,374	1,334,440
Other gains and losses, net	9	3,000,775	3,472,894
Impairment losses recognised	10	(9,817,108)	(9,076,869)
Administrative expenses		(78,673,644)	(61,593,804)
Finance costs	11	(1,917,748)	(1,543,457)
Loss before tax		(48,491,485)	(31,524,927)
Income tax expenses	12	(1,121,357)	(1,073,247)
Loss for the year	13	(49,612,842)	(32,598,174)
Other comprehensive income for the year: <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating of foreign operations		130,940	73,528
Other comprehensive income for the year, net of tax		130,940	73,528
Total comprehensive expenses for the year		(49,481,902)	(32,524,646)
Loss for the year attributable to:			
– Owners of the Company		(48,637,971)	(31,985,715)
– Non-controlling interests		(974,871)	(612,459)
		(49,612,842)	(32,598,174)
Total comprehensive expenses for the year attributable to:			
– Owners of the Company		(48,482,777)	(31,907,289)
– Non-controlling interests		(999,125)	(617,357)
		(49,481,902)	(32,524,646)
Loss per share			
Basic and diluted (HK cents)	17	(21.20)	(18.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
Non-current assets			
Property, plant and equipment	18	618,640	1,000,806
Right-of-use assets	19	8,326,040	21,798,922
Intangible assets	20	–	–
Film deposits and rights	21	–	–
Deposits, prepayments and other receivables	26	1,672,001	2,429,359
Equity investments at fair value through profit or loss	27	–	6,500,000
Interest in an associate	22	–	–
Pledged bank deposit	29	–	361,125
Goodwill	23	–	2,780,482
		10,616,681	34,870,694
Current assets			
Margin loan receivables	25	66,328,309	77,703,592
Trade and other receivables	26	21,179,823	16,383,616
Tax recoverable		–	711,208
Equity investments at fair value through profit or loss	27	18,254,675	9,603,000
Pledged bank deposits	29	367,343	–
Cash held on behalf of brokerage clients	28	10,481,165	25,474,711
Cash and cash equivalents	29	80,542,016	116,310,449
		197,153,331	246,186,576
Current liabilities			
Trade and other payables	30	30,316,254	22,852,950
Accounts payable to brokerage clients	31	10,481,165	25,767,896
Lease liabilities	19	11,772,537	14,210,541
Contract liabilities	32	3,180,008	3,076,974
Income tax payable		94,229	–
		55,844,193	65,908,361
Net current assets		141,309,138	180,278,215
Total assets less current liabilities		151,925,819	215,148,909

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
Non-current liabilities			
Lease liabilities	19	1,667,191	15,408,379
		1,667,191	15,408,379
NET ASSETS		150,258,628	199,740,530
Capital and reserves			
Share capital	34	2,294,184	2,294,184
Reserves		131,246,864	179,729,641
Shareholders' equity		133,541,048	182,023,825
Non-controlling interests	35	16,717,580	17,716,705
TOTAL EQUITY		150,258,628	199,740,530

The consolidated financial statements on pages 69 to 168 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Liu Shihao
Director

An Xilei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company						Non-controlling interests (Note 35)	Total equity
	Share capital HK\$	Share premium* HK\$	Capital reserve* HK\$	Exchange reserve* HK\$	Accumulated losses* HK\$	Sub-total HK\$		
At 1 January 2022	573,546	552,932,232	(176,467,450)	(1,357,963)	(223,365,595)	152,314,770	18,334,062	170,648,832
Loss for the year	-	-	-	-	(31,985,715)	(31,985,715)	(612,459)	(32,598,174)
Other comprehensive income (expenses) for the year:								
– Exchange difference arising on translating of foreign operations	-	-	-	78,426	-	78,426	(4,898)	73,528
Total comprehensive income (expenses) for the year	-	-	-	78,426	(31,985,715)	(31,907,289)	(617,357)	(32,524,646)
Rights issue (note 34)	1,720,638	63,663,619	-	-	-	65,384,257	-	65,384,257
Rights issue expenses (note 34)	-	(3,767,913)	-	-	-	(3,767,913)	-	(3,767,913)
At 30 December 2022 and 1 January 2023	2,294,184	612,827,938	(176,467,450)	(1,279,537)	(255,351,310)	182,023,825	17,716,705	199,740,530
Loss for the year	-	-	-	-	(48,637,971)	(48,637,971)	(974,871)	(49,612,842)
Other comprehensive income (expenses) for the year:								
– Exchange difference arising on translating of foreign operations	-	-	-	155,194	-	155,194	(24,254)	130,940
Total comprehensive (expenses) income for the year	-	-	-	155,194	(48,637,971)	(48,482,777)	(999,125)	(49,481,902)
At 31 December 2023	2,294,184	612,827,938	(176,467,450)	(1,124,343)	(303,989,281)	133,541,048	16,717,580	150,258,628

* These amounts comprise the consolidated reserves of HK\$131,246,864 (2022: HK\$179,729,641) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK\$	2022 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(48,491,485)	(31,524,927)
Adjustments for:		
Interest income	(331,868)	(18,372)
Finance costs	1,917,748	1,543,457
Depreciation of property, plant and equipment	496,396	940,431
Depreciation of right-of-use assets	8,869,408	9,207,264
Gain on termination of lease contracts	(849,100)	(71,266)
Rent concession	–	(4,738,178)
Sundry income	(56,244)	–
Fair value gain of equity investments at fair value through profit or loss, net	(2,151,675)	(3,401,628)
Impairment loss of goodwill	2,780,482	–
Impairment loss recognised of margin loan receivables	6,269,887	7,921,041
Impairment loss recognised of trade receivables	766,739	1,155,828
Operating cash flows before working capital changes	(30,779,712)	(18,986,350)
Increase in trade and other receivables	(4,774,642)	(656,043)
Decrease (increase) in margin loan receivables	5,105,396	(4,868,079)
Decrease (increase) in cash held on behalf of brokerage clients	14,993,546	(11,232,316)
Increase in trade and other payables	7,428,015	117,198
(Decrease) increase in accounts payable to brokerage clients	(15,286,731)	11,604,522
Increase in contract liabilities	67,584	534,826
Cash used in operations	(23,246,544)	(23,486,242)
Income tax paid	(316,783)	(2,101,505)
Net cash used in operating activities	(23,563,327)	(25,587,747)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(109,315)	(92,669)
Acquisition of equity interest at fair value through profit or loss	–	(12,395,924)
Interest received	309,337	11,717
Net cash generated from (used in) investing activities	200,022	(12,476,876)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK\$	2022 HK\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(12,536,063)	(9,082,943)
Interest paid	(5)	–
Net proceeds from rights issue	–	61,616,344
Net cash (used in) generated from financing activities	(12,536,068)	52,533,401
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(35,899,373)	14,468,778
CASH AND CASH EQUIVALENTS AT 1 JANUARY	116,310,449	101,768,143
Effect of foreign exchange rate changes, net	130,940	73,528
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	80,542,016	116,310,449
ANALYSIS OF CASH AND CASH EQUIVALENTS, represented by:		
Bank and cash balances	80,909,359	116,671,574
Less: Pledged bank deposits	(367,343)	(361,125)
Cash and cash equivalents as stated in the consolidated statement of cash flows	80,542,016	116,310,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

Cornerstone Financial Holdings Limited (the “Company”) was 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 address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong.

The Group was involved in the following principal activities (i) provision of financial services, mainly include securities dealings and brokerage services and margin financing services; and (ii) provision of advertising and media services, including film development, production and distribution; and (iii) retail of skin care products.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 24 to the consolidated financial statements.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (Continued)

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 4 to the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (Continued)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The directors of the Company consider that the changes in the Group’s accounting policy in the current year had no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (Continued)

New and amendments to HKFRSs issued 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:

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendment to HKFRS 16	<i>Lease Liability in a Sale and Leaseback²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)²</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants²</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements²</i>
Amendments to HKAS 21	<i>Lack of Exchangeability³</i>

1 Effective for annual periods beginning on or after a date to be determined

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

3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the results and the financial position of the Group in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

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*.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses, other than business combination under common control 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.

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 *Share-based Payment* 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 *Leases*) 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 (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions (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. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investment in an associate

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investment in an associate (Continued)

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

Revenue from contracts with customers

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

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

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

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

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

Contract assets and contract liabilities

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

Contract assets and contract liabilities (Continued)

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

Further information about the Group's accounting policies relating to revenue from contracts with customers is provided in note 7 to the consolidated financial statements.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* 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.

Short-term leases and leases of low-value assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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 included:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (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, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as a lessee (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; and
- there is no substantive change to other terms and conditions of the lease.

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Foreign currencies (Continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Employee benefits

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Pursuant to the relevant local regulations in Singapore, the Singapore subsidiaries of the Group are required to contribute to the Central Provident Fund based on the statutory funding requirement. The Group's contributions to the defined contribution plan are charged to profit or loss in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

Short-term and 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.

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

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

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

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

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

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

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

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 by the same taxable entity by the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

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

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

Property, plant and equipment

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 allocate the cost of items of property, plant and equipment 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.

Film deposits and rights

Film deposits and rights are stated at cost less accumulated amortisation and accumulated impairment losses. The cost of film deposits and rights are amortised over their estimated useful lives upon release of the film. Film deposits and rights for films not ready for release are not subject to amortisation and are tested annually for impairment.

Impairment is assessed annually or when there is indication of impairment whether film deposits and rights are impaired. The carrying amount of film deposits and rights is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (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.

Intellectual properties and licences

Separately acquired rights to use intellectual properties and licences are shown at historical cost. Rights to use intellectual properties and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of rights to use intellectual properties and licences over their estimated useful lives of 5 and 10 years, respectively.

Impairment losses 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 those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (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.

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.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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.

Financial assets at FVTPL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for margin loan receivables and trade receivables without significant financing component.

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

(i) Significant increase in credit risk

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- 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).

Also, 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.

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement of and recognition of ECL

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

For financial assets, 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.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECL. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment that is available without undue cost or effort.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Simplified approach (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.

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECL except for trade receivables which apply the simplified approach as detailed below.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and accounts payable to brokerage clients are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

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, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Cash and cash equivalents (Continued)

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

Share-based payment transactions

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 option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share-based payments 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 option reserve will be transferred to accumulated losses.

When share options granted are vested, the amount previously recognised in share option reserve will be transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Related parties

- (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;
 - (3) is a member of the key management personnel of the group or the group's parent.
- (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) above.
 - (7) A person identified in (i)(1) above 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).
 - (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.

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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 judgements in applying accounting policies

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

Determination on the lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the 'Group's needs');

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current financial market conditions.

As at 31 December 2023, the carrying amount of goodwill and details of the recoverable amount calculation are disclosed in note 23.

Provision of ECL for trade receivables

The Group uses a provision of matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history, and their financial position and an assessment of both the current and foreign general economic conditions and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in circumstances and of forecast general economic conditions and the selection of forward-looking macroeconomic scenarios. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

As at 31 December 2023, the information about the ECL and the Group's trade receivables are disclosed in notes 39(b) and 26 to the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment assessment of margin loan receivables

The Group calculates the ECL of receivables from margin clients based on the assessments considering the probability of default, expected recovery rates from loss given default, forward-looking information and macroeconomic environment as well as the fair value of the collateral pledged by the customers to the margin loan receivables. Further details are set out in note 25 to the consolidated financial statements.

As at 31 December 2023, the information about the ECL and the Group's margin loan receivables are disclosed in notes 39(b) and 25 to the consolidated financial statements.

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.

When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amount of property, plant and equipment and right-of-use assets are set out in notes 18 and 19, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Valuation of equity investment at fair value through profit or loss classified as level 3 in the fair value hierarchy

The Group holds equity investment at fair value through profit or loss that are not traded or quoted in active markets. The Group uses its judgment to select the appropriate methods and make assumptions based on market conditions existing at the end of each reporting period to estimate the fair value of such equity investment and classifies them as level 3 in the fair value hierarchy. Although the best estimate is used in estimating fair value, there are inherent limitations in any valuation technique. Estimated fair value may differ from the value that would have been used if a readily available market existed.

As at 31 December 2023, the carrying amount and details of the Group's equity investment at fair value through profit or loss classified as level 3 in the fair value hierarchy are set out in note 27 and 41 to the consolidated financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6. OPERATING SEGMENTS

The chief operating decision-maker (“CODM”) has been identified collectively as the executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports. The accounting policies are the same as the Group’s accounting policies described in note 4.

Management regularly reviews the operating results from a perspective of different activities and assesses the performance of each operating segment.

For management purposes, during the years ended 31 December 2023 and 2022, the Group had the following operating segments:

- Advertising and media
- Financial services, mainly include securities dealings and brokerage business and margin financing business
- Retail of skin care products

During the year ended 31 December 2019, the Company ceased its retail of skin care products business which remains inactive subsequently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6. OPERATING SEGMENTS (Continued)

Segment revenue and results

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

	Advertising and media HK\$	Financial services HK\$	Retail of skin care products HK\$	Unallocated HK\$	Total HK\$
For the year ended 31 December 2023					
Segment revenue	49,225,236	8,735,444	–	–	57,960,680
Segment results	(4,235,940)	(10,550,141)	(29,909)	–	(14,815,990)
Corporate and unallocated income					5,651,149
Corporate and unallocated expenses					(39,326,644)
Loss before tax					(48,491,485)
Segment assets	30,263,522	147,707,757	11,072	–	177,982,351
Corporate and other unallocated assets					29,787,661
Total consolidated assets					207,770,012
Segment liabilities	(32,557,224)	(12,445,516)	(111)	–	(45,002,851)
Corporate and other unallocated liabilities					(12,508,533)
Total consolidated liabilities					(57,511,384)
Other segment information					
Impairment loss of trade receivables	(748,271)	(18,468)	–	–	(766,739)
Impairment loss of margin loan receivables	–	(6,269,887)	–	–	(6,269,887)
Impairment loss of goodwill	–	(2,780,482)	–	–	(2,780,482)
Gain on termination of lease contracts	849,100	–	–	–	849,100
Fair value gain on equity investment at fair value through profit or loss	–	–	–	2,151,675	2,151,675
Depreciation of property, plant and equipment	(476,236)	(20,160)	–	–	(496,396)
Depreciation of right-of-use assets	(5,076,409)	(924,945)	–	(2,868,054)	(8,869,408)
Capital expenditure	(109,315)	–	–	–	(109,315)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

	Advertising and media HK\$	Financial services HK\$	Retail of skin care products HK\$	Unallocated HK\$	Total HK\$
For the year ended 31 December 2022					
Segment revenue	46,298,169	9,270,199	–	–	55,568,368
Segment results	(4,895,738)	(7,719,418)	(30,384)	–	(12,645,540)
Corporate and unallocated income					4,807,334
Corporate and unallocated expenses					(23,686,721)
Loss before tax					(31,524,927)
Segment assets	42,982,809	212,141,044	18,088	–	255,141,941
Corporate and other unallocated assets					25,915,329
Total consolidated assets					281,057,270
Segment liabilities	(42,041,872)	(27,981,821)	(109)	–	(70,023,802)
Corporate and other unallocated liabilities					(11,292,938)
Total consolidated liabilities					(81,316,740)
Other segment information					
Impairment loss of trade receivables	(1,155,828)	–	–	–	(1,155,828)
Impairment loss of margin loan receivables	–	(7,921,041)	–	–	(7,921,041)
Gain on termination of lease contract	–	–	–	71,266	71,266
Rent concession	4,738,178	–	–	–	4,738,178
Fair value (loss) gain on equity investments					
at fair value through profit or loss	–	(305,448)	–	3,707,076	3,401,628
Depreciation of property, plant and equipment	(911,062)	(29,369)	–	–	(940,431)
Depreciation of right-of-use assets	(7,049,541)	(962,330)	–	(1,195,393)	(9,207,264)
Capital expenditure	(59,540)	(33,129)	–	–	(92,669)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

The segment results are measured at Group's loss before tax except that other income, other gains and losses, as well as head office and corporate expense. Corporate and unallocated income mainly include government grants and other corporate income. Corporate and unallocated expenses mainly include staff salaries of headquarter and legal and professional fees and other corporate expenses.

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

The Group did not have any significant inter-segment sales during the years ended 31 December 2023 and 2022.

Geographical information

The following table sets forth the Group's revenue from customers by geographical location of customers:

	2023 HK\$	2022 HK\$
Hong Kong	34,562,664	32,885,303
Singapore	23,398,016	22,683,065
	57,960,680	55,568,368

The information about its non-current assets by location of assets are detailed below:

	2023 HK\$	2022 HK\$
Hong Kong	4,789,268	23,839,532
Singapore	4,155,412	8,240,678
	8,944,680	32,080,210

Information about major customers

None of the customers accounted for 10% or more of the Group's total revenue for the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

(i) *The Group derives revenue from the transfer of goods and services by categorise of major product lines and business*

	Advertising and media		Financial services		Total	
	2023	2022	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue from contracts with customers within the scope of HKFRS 15						
<i>Advertising and media services</i>						
– Direct sales channel	24,242,724	19,386,978	–	–	24,242,724	19,386,978
– Agency sales channel	24,982,512	26,911,191	–	–	24,982,512	26,911,191
<i>Financial services</i>						
– Commission and fee income on securities dealing and broking	–	–	455,383	509,872	455,383	509,872
	49,225,236	46,298,169	455,383	509,872	49,680,619	46,808,041
Revenue from other sources						
– Interest income from margin financing	–	–	8,280,061	8,760,327	8,280,061	8,760,327
	49,225,236	46,298,169	8,735,444	9,270,199	57,960,680	55,568,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

(ii) The Group derives revenue from the transfer of goods and services by timing of revenue recognition

	Advertising and media		Financial services		Total	
	2023	2022	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Timing of revenue recognition						
At a point of time	–	–	455,383	509,872	455,383	509,872
Over time	49,225,236	46,298,169	–	–	49,225,236	46,298,169
	49,225,236	46,298,169	455,383	509,872	49,680,619	46,808,041

(iii) The Group derives revenue from the transfer of goods and services by geographical markets

	Advertising and media		Financial services		Total	
	2023	2022	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Geographical markets						
– Hong Kong	25,827,220	23,615,104	455,383	509,872	26,282,603	24,124,976
– Singapore	23,398,016	22,683,065	–	–	23,398,016	22,683,065
	49,225,236	46,298,169	455,383	509,872	49,680,619	46,808,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(b) Contract balances

	Notes	As at 31 December		As at
		2023 HK\$	2022 HK\$	1 January 2022 HK\$
Trade receivables	26	12,575,071	12,312,459	11,916,330
Less: Allowance for credit losses		(2,107,512)	(1,323,984)	(167,723)
		10,467,559	10,988,475	11,748,607
Margin loan receivables	25	89,854,189	94,959,585	90,091,506
Less: Allowance for credit losses		(23,525,880)	(17,255,993)	(9,334,952)
		66,328,309	77,703,592	80,756,554
Contract liabilities	32	3,180,008	3,076,974	2,527,793

Detail of the Group's trade receivables, margin loan receivables and contract liabilities are set out in respective notes.

(c) Performance obligations for contracts with customers and revenue recognition policies

The Group was mainly engaged in the provision of advertising and media services, provision of securities dealings and brokerage services and margin financing services and sale of skin care products.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

The Group's revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognises revenue when the significant risks and rewards of ownership of any goods and services have been transferred, and the Group's performance obligations for contracts with customers and revenue recognition policies are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(c) Performance obligations for contracts with customers and revenue recognition policies (Continued)

(i) Provision of advertising and media services

Revenue from provision of advertising and media services are recognised over the scheduled period on a straight-line basis over the broadcast period and payment generally due within 30 days.

(ii) Provision of securities dealings, brokerage and related services and margin financing services

Brokerage commission income is recognised at the point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed and payment is generally due two days after trade date.

Fee income is recognised when the transaction is executed and service is completed, except for custodian service fee which is recognised over time.

Revenue for placing and underwriting is recognised when the relevant placing or underwriting activities are completed. Accordingly, the revenue is recognised at a point in time.

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

(iii) Sale of skin care products

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

(iv) Other income

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(d) Transaction price allocated to remaining performance obligation

The Group has applied practical expedient in paragraph 121 of HKFRS 15 Revenue from Contracts with Customers, to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date due to the majority of the Company's revenue contracts are short-term contracts and have a duration of less than one year, the practical expedient for contracts with durations of one year or less is applied and therefore the effect of the time value of money is not considered.

Further information about the Group's accounting policies relating to revenue from contracts with customers is provided in note 4 to the consolidated financial statements.

8. OTHER INCOME

	2023 HK\$	2022 HK\$
Government grants (note below)	–	976,705
Bank interest income	331,868	18,372
Other interest income	189	3
Other services fee income	2,138,080	103,035
Sundry income	180,237	236,325
	2,650,374	1,334,440

Note: During the year ended 31 December 2022, the Group recognised government grants HK\$976,705 in respect of Covid-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government and the Rental Support Scheme provided by the Singapore Government. Government grants in respect of the Covid-19-related subsidies that were recognised at the time when the Group fulfilled the relevant granting criteria. The Group did not have such government grant during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

9. OTHER GAINS AND LOSSES, NET

	2023 HK\$	2022 HK\$
Gain on termination of lease contract	849,100	71,266
Fair value gain on equity investments at fair value through profit or loss	2,151,675	3,401,628
	3,000,775	3,472,894

10. IMPAIRMENT LOSSES RECOGNISED

	2023 HK\$	2022 HK\$
Impairment losses recognised, in respect of:		
– Margin loan receivables	(6,269,887)	(7,921,041)
– Trade receivables	(766,739)	(1,155,828)
– Goodwill	(2,780,482)	–
	(9,817,108)	(9,076,869)

Details of impairment assessments are set out in notes 23, 25, 26 and 39.

11. FINANCE COSTS

	2023 HK\$	2022 HK\$
Other interest expense	44,649	–
Interest on lease liabilities	1,873,099	1,543,457
	1,917,748	1,543,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12. INCOME TAX EXPENSES

Income tax expenses relating to operations has been recognised in profit or loss as following:

	2023 HK\$	2022 HK\$
Current income tax:		
Hong Kong	1,127,358	1,084,098
PRC	–	–
Singapore	–	–
	1,127,358	1,084,098
Over-provision in prior years:		
Hong Kong	(6,001)	(10,851)
Income tax expenses	1,121,357	1,073,247

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision for EIT has been made for the PRC subsidiary as the PRC subsidiary did not have any assessable profits subject to EIT in the PRC during the year (2022: Nil).

Under Income Tax Act (Chapter 134) of the Singapore, the corporate income tax rate of the Singapore subsidiaries is 17% for both years. No provision for Singapore corporate income tax has been made for the Singapore subsidiaries as they did not have any assessable profits subject to corporate income tax in the Singapore during the year (2022: Nil).

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax under these jurisdictions for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12. INCOME TAX EXPENSES (Continued)

The reconciliation between the income tax expenses from operations and loss before tax multiplied by the income tax rate applicable to respective tax jurisdictions is as follows:

	2023 HK\$	2022 HK\$
Loss before tax	(48,491,485)	(31,524,927)
Tax calculated at the rates applicable to respective tax jurisdictions	(7,542,315)	(4,215,223)
Tax effect of income that is not taxable	(2,091,352)	(1,854,161)
Tax effect of expenses that are not deductible	10,360,631	6,391,262
Over-provision in prior years	(6,001)	(10,851)
Tax effect of tax losses not recognised	568,394	1,052,204
Tax effect of utilisation of tax losses previously not recognised	–	(124,984)
Effect of tax concession	(168,000)	(165,000)
Income tax expenses	1,121,357	1,073,247

13. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the (crediting) following:

	2023 HK\$	2022 HK\$
Auditors' remuneration	850,000	850,000
Cost of services provided (note below)	21,694,814	19,686,499
Depreciation of property, plant and equipment	496,396	940,431
Depreciation of right-of-use assets	8,869,408	9,207,264
Exchange gains and losses – net	(2,678)	92,648

Note: During the year ended 31 December 2022, Covid-19-related rent concessions amounted to HK\$4,738,178 for the billboard spaces of the Group were deducted from costs of services provided. The Group did not have such rent concessions during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

14. EMPLOYEE BENEFITS EXPENSES

	2023 HK\$	2022 HK\$
Employee benefits expenses (excluding director's remuneration):		
– Salaries, wages and allowance	22,944,080	23,667,572
– Performance related bonuses	–	–
– Pension scheme contribution	2,092,498	1,419,844
– Other post-employment benefits	808,402	766,228
	25,844,980	25,853,644

Five highest paid individuals

The five highest paid individuals in the Group during the year included one director (2022: one director), details of whose remuneration are set out in note 15. Details of the remaining four (2022: four) highest paid individuals who are neither a director nor Chief Executive Officer of the Company are as follows:

	2023 HK\$	2022 HK\$
Salaries, allowances and benefits in kind	5,226,317	4,696,593
Performance related bonus	–	–
Equity settled share-based expense	–	–
Pension scheme contribution	248,776	187,776
	5,475,093	4,884,369

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 individuals	
	2023	2022
Nil – HK\$1,500,000	3	4
HK\$1,500,001 – HK\$2,000,000	1	–

During the years ended 31 December 2023 and 2022, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and Chief Executive Officer ("CEO") emoluments

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

Name of Director	Director's fee HK\$	Salaries and allowances HK\$	Housing allowance HK\$	Performance related bonuses HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
During the year ended 31 December 2022						
Executive Directors						
An Xilei	–	200,000	–	–	6,000	206,000
Gao Ran	–	–	–	–	–	–
Wong Hong Gay Patrick Jonathan	–	1,852,500	696,000	–	18,000	2,566,500
Mock Wai Yin	–	480,000	–	–	–	480,000
Independent Non-executive Directors						
Chan Chi Keung Alan	120,000	–	–	–	–	120,000
Wong Man Hong	120,000	–	–	–	–	120,000
Lau Mei Ying	120,000	–	–	–	–	120,000
	360,000	2,532,500	696,000	–	24,000	3,612,500
During the year ended 31 December 2023						
Executive Directors						
An Xilei	–	600,000	–	–	18,000	618,000
Gao Ran (note (i) below)	–	–	–	–	–	–
Liu Shihao (note (ii) below)	–	116,000	–	–	5,800	121,800
Wong Hong Gay Patrick Jonathan (note (iii) below)	–	1,950,000	696,000	–	62,332	2,708,332
Mock Wai Yin	–	480,000	–	–	–	480,000
Independent Non-executive Directors						
Chan Chi Keung Alan	120,000	–	–	–	–	120,000
Wong Man Hong	120,000	–	–	–	–	120,000
Lau Mei Ying	120,000	–	–	–	–	120,000
	360,000	3,146,000	696,000	–	86,132	4,288,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and Chief Executive Officer ("CEO") emoluments (Continued)

Notes:

- (i) Gao Ran resigned as executive director of the Company on 5 September 2023.
- (ii) Liu Shihao has been appointed as executive director of the Company on 5 September 2023.
- (iii) Wong Hong Gay Patrick Jonathan is the Chief Executive Officer of the Company.

During the year ended 31 December 2023, no director agreed to waive directors' remuneration. During the year ended 31 December 2022, An Xilei, the executive director of the Company, agreed to waive directors' remuneration of HK\$400,000 which was deducted in the remuneration as disclosed above. Other than these arrangements, there was no arrangement under which a director and the CEO waived or agreed to waive any remuneration during the year.

The remunerations of directors and the CEO were determined by the remuneration committee having regard to the performance of individuals and market trends.

Fees, salaries and other benefits paid to or for the executive and non-executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2022: nil).

17. LOSS PER SHARE

The calculation of the basic and diluted loss attributable to the owners of the Company is based on the following data:

	2023 HK\$	2022 HK\$
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(48,637,971)	(31,985,715)
	2023	2022
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	229,418,448	175,383,646

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2022 has been adjusted/restated for the Rights Issue on 26 April 2022 and details of which are set out in note 34.

There has no potential ordinary shares outstanding as at 31 December 2022 and 2023 and thus, no diluted loss per share was presented for the year ended 31 December 2022 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

18. PROPERTY, PLANT AND EQUIPMENT

	LCD monitors HK\$	Furniture and office equipment HK\$	Computer and equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Total HK\$
Year ended 31 December 2022						
At 1 January 2022						
Cost	30,392,768	1,541,860	5,813,936	8,557,436	3,190,125	49,496,125
Accumulated depreciation and impairment losses	(28,847,816)	(1,530,880)	(5,666,167)	(8,555,991)	(3,044,593)	(47,645,447)
Net carrying amount	1,544,952	10,980	147,769	1,445	145,532	1,850,678
At 1 January 2022						
Net of accumulated depreciation	1,544,952	10,980	147,769	1,445	145,532	1,850,678
Additions	53,040	2,480	37,149	–	–	92,669
Depreciation	(701,189)	(10,354)	(81,911)	(1,445)	(145,532)	(940,431)
Exchange realignments	(1,987)	3	(126)	–	–	(2,110)
At 31 December 2022, net of accumulated depreciation and impairment losses	894,816	3,109	102,881	–	–	1,000,806
At 31 December 2022						
Cost	30,552,148	1,547,023	5,866,380	8,564,934	3,196,331	49,726,816
Accumulated depreciation and impairment losses	(29,657,332)	(1,543,914)	(5,763,499)	(8,564,934)	(3,196,331)	(48,726,010)
Net carrying amount	894,816	3,109	102,881	–	–	1,000,806
Year ended 31 December 2023						
At 1 January 2023						
Cost	30,552,148	1,547,023	5,866,380	8,564,934	3,196,331	49,726,816
Accumulated depreciation and impairment losses	(29,657,332)	(1,543,914)	(5,763,499)	(8,564,934)	(3,196,331)	(48,726,010)
Net carrying amount	894,816	3,109	102,881	–	–	1,000,806
At 1 January 2023						
Net of accumulated depreciation	894,816	3,109	102,881	–	–	1,000,806
Additions	109,315	–	–	–	–	109,315
Depreciation	(444,782)	(2,076)	(49,538)	–	–	(496,396)
Exchange realignments	4,845	1	69	–	–	4,915
At 31 December 2023, net of accumulated depreciation and impairment losses	564,194	1,034	53,412	–	–	618,640
At 31 December 2023						
Cost	6,822,031	180,341	1,367,762	4,185,980	3,211,846	15,767,960
Accumulated depreciation and impairment losses	(6,257,837)	(179,307)	(1,314,350)	(4,185,980)	(3,211,846)	(15,149,320)
Net carrying amount	564,194	1,034	53,412	–	–	618,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

LCD monitors	5 years
Furniture and office equipment	3 to 5 years
Computer equipment	3 to 5 years
Leasehold improvements	3 to 5 years or over the term of lease, whichever is shorter
Motor vehicles	3 to 5 years

In accordance with the Group's accounting policies, the Group reviews the carrying amount of its property, plant and equipment to determine whether there is any indication of that these assets have suffered an impairment loss. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made at the reporting period.

During the year ended 31 December 2023, the Group's advertising and media segment recorded a loss. The directors of the Company carried out a review of the recoverable amounts of the property, plant and equipment and right-of-use assets containing in the cash-generating units in the advertising and media segment with reference to a professional valuation based on the basis of value-in-use using discounted cash flow method performed by an independent professional valuer, Masterpiece Valuation Advisory Limited ("Masterpiece") by comparing the carrying values and the recoverable amounts of the CGUs which are based on certain key assumptions.

The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the advertising and media segment. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the advertising and media segment operate. Budgeted gross margins and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets of the advertising and media segment approved by the directors for the next five years with the residual period using average growth rates of 2.0% and 2.0% (2022: 1.5% and 2.0%), respectively. These rates do not exceed the average long-term growth rates for the relevant markets. The rates used to discount the forecast cash flows from the Group's advertising and media segment are 18.2% and 19.9% (2022: 18.1% and 19.1%), respectively.

Based on the impairment assessment, as at 31 December 2023, the carrying amounts of the CGUs in the advertising and media segment approximates their recoverable amounts and accordingly, no impairment losses were recognised for the year ended 31 December 2023 regarding the Group's property, plant and equipment and right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. LEASES

(a) Right-of-use assets

	Land and buildings HK\$	Outdoor billboard space HK\$	Total HK\$
Year ended 31 December 2022			
At 1 January 2022			
Cost	18,041,556	42,611,357	60,652,913
Accumulated depreciation and impairment losses	(13,247,297)	(28,362,423)	(41,609,720)
Net carrying amount	4,794,259	14,248,934	19,043,193
At 1 January 2022			
Net of accumulated depreciation and impairment losses	4,794,259	14,248,934	19,043,193
Additions	11,641,641	1,198,718	12,840,359
Termination	(862,874)	–	(862,874)
Depreciation	(4,461,554)	(4,745,710)	(9,207,264)
Exchange realignments	(8,367)	(6,125)	(14,492)
At 31 December 2022, net of accumulated depreciation and impairment losses	11,103,105	10,695,817	21,798,922
At 31 December 2022			
Cost	15,082,993	38,431,757	53,514,750
Accumulated depreciation and impairment losses	(3,979,888)	(27,735,940)	(31,715,828)
Net carrying amount	11,103,105	10,695,817	21,798,922
Other information:			
Variable lease payments not included in the measurement of lease liabilities	–	(3,038,554)	(3,038,554)
Expenses relating to short-term leases	–	(4,809,658)	(4,809,658)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. LEASES (Continued)

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

	Land and buildings HK\$	Outdoor billboard space HK\$	Total HK\$
Year ended 31 December 2023			
At 1 January 2023			
Cost	15,082,993	38,431,757	53,514,750
Accumulated depreciation and impairment losses	(3,979,888)	(27,735,940)	(31,715,828)
Net carrying amount	11,103,105	10,695,817	21,798,922
At 1 January 2023			
Net of accumulated depreciation and impairment losses	11,103,105	10,695,817	21,798,922
Additions	491,190	305,342	796,532
Lease modification	–	(4,631,275)	(4,631,275)
Termination	–	(840,992)	(840,992)
Depreciation	(6,118,896)	(2,750,512)	(8,869,408)
Exchange realignments	51,172	21,089	72,261
At 31 December 2023, net of accumulated depreciation and impairment losses	5,526,571	2,799,469	8,326,040
At 31 December 2023			
Cost	15,502,515	29,307,811	44,810,326
Accumulated depreciation and impairment losses	(9,975,944)	(26,508,342)	(36,484,286)
Net carrying amount	5,526,571	2,799,469	8,326,040
Other information:			
Variable lease payments not included in the measurement of lease liabilities	–	(5,568,358)	(5,568,358)
Expenses relating to short-term leases	–	(1,126,532)	(1,126,532)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. LEASES (Continued)

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

During the year ended 31 December 2023, depreciation charge of HK\$2,750,512 (2022: HK\$4,745,710) was included in cost of sales and the remaining balance was included in administrative expenses.

The Group has lease contracts for land and buildings and outdoor billboard spaces used in its operations. Leases of land and buildings generally have lease terms between 2 and 3 years, while outdoor billboard spaces generally have lease terms between 2 and 5 years. Other land and buildings generally have lease terms of 12 months or less and/or is individually of low value. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

Leases of outdoor billboard spaces are either only variable lease payments or contain variable lease payments that are based on 30 % to 60 % (2022: 30% to 60%) sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in the Out-Of-Home advertising industry.

During the year ended 31 December 2023, the Group early terminated a lease contract for outdoor billboard space used in Hong Kong (2022: terminated a lease contract for an office used in Hong Kong). The termination resulted in a gain of approximately HK\$849,100 (2022: gain of HK\$71,266), which is the net effect of derecognition of this carrying amount of right-of-use asset of approximately HK\$840,992 (2022: HK\$862,874), the corresponding lease liabilities of approximately HK\$1,690,092 (2022: HK\$934,140).

In addition, in accordance with the Group's accounting policies, the Group reviews the carrying amount of its right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made at the reporting period.

As explained in note 18, at 31 December 2023, the directors of the Company conducted impairment assessments of property, plant and equipment and the right-of-use assets containing in the cash-generating units in the advertising and media segment with reference to a professional valuation based on the basis of value-in-use using discounted cash flow method performed by Masterpiece by comparing the carrying values and the recoverable amounts of the CGUs which are based on certain key assumptions as details in note 18.

Based on the impairment assessment, as at 31 December 2022 and 2023, the carrying amount of the CGUs approximates their recoverable amounts and accordingly, no impairment losses were recognised for the year ended 31 December 2022 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. LEASES (Continued)

(b) Lease liabilities

	2023 HK\$	2022 HK\$
Lease liabilities	13,439,728	29,618,920
Amount analysed as:		
– Non-current	1,667,191	15,408,379
– Current	11,772,537	14,210,541
	13,439,728	29,618,920
Lease liabilities payable on:		
– Within one year	11,772,537	14,210,541
– Within a period of more than one year but not more than two years	1,667,191	13,188,414
– Within a period of more than two year but not more than five years	–	2,219,965
	13,439,728	29,618,920
Less: Amount due for settlement within 12 months shown under current liabilities	(11,772,537)	(14,210,541)
Amount due for settlement after 12 months shown under non-current liabilities	1,667,191	15,408,379
Other information:		
Interest on lease liabilities	1,873,099	1,543,457
Total cash outflow for leases	12,536,063	9,082,943
Covid-19 related rent concession from lessors	–	4,738,178
Gain on termination of lease contracts	849,100	71,266

The weighted average incremental borrowing rates applied to lease liabilities range from 5.37% to 15.56% (2022: from 5.37% to 15.56%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. LEASES (Continued)

(b) Lease liabilities (Continued)

Lease obligations are denominated in the following currencies:

	2023 HK\$	2022 HK\$
HK\$	8,077,148	19,365,553
Singapore dollars ("SG\$")	5,362,580	10,253,367
	13,439,728	29,618,920

Rent concessions

During the year ended 31 December 2022, lessors of outdoor billboard spaces and office premises provided rent concessions to the Group through rent reductions over one to twelve months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of 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 leases of HK\$4,738,178 were recognised as negative variable lease payments, out of which HK\$4,738,178 rental concession for the billboard spaces of the Group were deducted from costs of services provided, and no rent concession for the office premises were recognised in in other gains or losses. The Group did not have such rent concession during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

20. INTANGIBLE ASSETS

	2023 HK\$	2022 HK\$
Rights to use intellectual property		
Cost	960,750	960,750
Less: Accumulated amortisation	(960,750)	(960,750)
	—	—

The amount represents separately acquired rights to use intellectual property which is shown at historical cost.

Rights to use intellectual property has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of rights to use intellectual property over its estimated useful lives of 5 years.

The Group's right to use intellectual property was fully amortised in prior years.

During the year ended 31 December 2023, the Company decided to write off the amount for the year.

21. FILM DEPOSITS AND RIGHTS

	2023 HK\$	2022 HK\$
Film development, production and distribution and holds intellectual property rights		
Cost	102,074,882	102,074,882
Accumulated amortisation and impairment	(102,074,882)	(102,074,882)
	—	—

In prior years, the Group acquired Ricco Media Investments Ltd ("RMI") which indirectly holds a 75% equity interest in Stan Lee Global Entertainment, LLC ("SLGE") that is engaged in the business of film development, production and distribution and holds intellectual property rights for motion picture development in the form of concept, treatment and script among which three are already in the development phases. Further, the directors of the Company considered that the recoverable amount of film deposits and rights were highly uncertain and difficult to predict, accordingly, a full provision for impairment of HK\$102,074,882 was charged to profit or loss during the year ended 31 December 2018.

During the year ended 31 December 2023, the Company decided to write off the amount for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

22. INTEREST IN AN ASSOCIATE

	2023 HK\$	2022 HK\$
Cost of investment in an associate	158,749	158,749
Loan to an associate	1,091,251	1,091,251
Share of post-acquisition results and other comprehensive income, net of dividend received	(369,829)	(369,829)
	880,171	880,171
Less: Accumulated impairments	(880,171)	(880,171)
	–	–

Particulars of the Company's associate as at 31 December 2023 and 2022 are as follows:

Name of associates	Place of establishment and principal place of operation	Form of business structure	Attributable interest and proportion of voting power held by the Group		Principal activities
			Directly	Indirectly	
Wisefit Smooth Limited ("Wisefit")	British Virgin Islands ("BVI")/Hong Kong	Limited liability company	–	36.00%	Inactive

The Group's shareholdings in Wisefit comprises equity shares held through a wholly-owned subsidiary of the Company.

The loan to Wisefit is unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net interest in Wisefit.

During the year ended 31 December 2020, Wisefit has commenced its process of striking-off and thus, the directors of the Company are of the view that the recoverable amount of the Group's interests in Wisefit will be minimum and thus, the Group recognised full impairment loss relating to the Group's cost of investment and loan granted to Wisefit in prior years. Wisefit remained inactive during the year ended 31 December 2023 and 2022 and the striking-off process was completed during the year ended 31 December 2023. There was no movement of the Group's interest in Wisefit for the year ended 31 December 2023 and 2022.

In view of the Group's share of losses of Wisefit exceeded its interest in Wisefit and thus, the Group discontinued to share of the losses of Wisefit during the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

23. GOODWILL

	2023 HK\$	2022 HK\$
Goodwill	2,780,482	2,780,482
Less: Impairment loss	(2,780,482)	–
	–	2,780,482

In November 2016, the Group acquired the securities brokerage business together with the relevant assets and liabilities, and the interest in Glory Creator Limited. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the securities brokerage CGU.

Impairment assessment

In view of the current unsatisfactory and uncertain Hong Kong capital market, this caused an adverse impact on the projected cash flows and operation margin for the Group's securities brokerage business for the year ended 31 December 2023. With reference to a valuation performed by Masterpiece, the directors of the Company assessed the impairment of the Group's goodwill. The recoverable amount of the CGU has been determined by value in use approach adopted by Masterpiece, based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Average revenue growth rate of 2% (2022: 5%) with reference to the past performance and its expectation for market development;
- Discount rate of 12.09% (2022: 13.2%) is used with reference to the current market data for the relevant industry and comparable companies; and
- Terminal growth rate of 2% (2022: 2%) is used with reference to the Hong Kong inflation rate beyond the five-year period (2022: five-year period).

The values assigned to the above key assumption on market development of securities brokerage industries, discount rates and inflation rate are consistent with external information sources.

At 31 December 2022, based on the Group's goodwill impairment test, no impairment loss was recognised for the goodwill related to securities brokerage CGU since its recoverable amount was greater than its carrying amount. However, as at 31 December 2023, based on the Group's goodwill impairment test, impairment loss amounted to HK\$2,780,482 was recognised for the goodwill related to securities brokerage business CGU since its recoverable amount was lower than its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

24. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Proportion of ownership interest/ voting rights/profit sharing		Principal activities
			2023	2022	
<i>Directly held by the Company</i>					
Multiple Truth Limited	BVI	1 ordinary share of US\$1 each	100%	100%	Investment holding
Focus Media Network Limited	BVI	10,780,000 ordinary shares of HK\$0.01 each	100%	100%	Investment holding
Ming Yeung Technology Co., Limited	BVI	50,000 ordinary shares of US\$1 each	100%	100%	Investment holding
Magical East Limited	BVI	1 ordinary share of US\$1 each	100%	–	Investment holding
Profit Path International Limited	BVI	1 ordinary share of US\$1 each	100%	–	Investment holding
<i>Indirectly held by the Company</i>					
Focus Media Hong Kong Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	Provision of out-of-home advertising services in Hong Kong
Creative Execution Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	Provision of out-of-home advertising services in Hong Kong
Focus Media Singapore Pte. Ltd.	Singapore	5,000 ordinary shares of SG\$1 each	100%	100%	Provision of out-of-home advertising services in Singapore
Creative Execution (Pte.) Limited	Singapore	10 ordinary shares of SG\$1 each	100%	100%	Provision of out-of-home advertising services in Singapore
CNP Cosmetics Singapore Pte. Limited	Singapore	1,000 ordinary shares of SG\$1 each	100%	100%	Retail of skin care products in Singapore
Cosmeceutical Inc. Pte. Limited	Singapore	1,000 ordinary shares of SG\$1 each	100%	100%	Retail of skin care products in Singapore
銳奕(上海)廣告有限公司	PRC	1,000,000 ordinary shares of RMB1 each	100%	100%	Advertisement production and distribution in the PRC
JELIN Aesthetic Limited	Hong Kong	100 ordinary shares of HKD1 each	100%	100%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

24. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Proportion of ownership interest/ voting rights/profit sharing		Principal activities
			2023	2022	
Ricco Media Investments Limited	BVI	1 ordinary share of US\$1 each	100%	100%	Investment holding in United States
Ricco Entertainment Investments Inc.	US	US\$100	100%	100%	Investment holding
Stan Lee Global Entertainment LLC	United States ("US")	Nil	75%	75%	Film development, production and distribution in US
Magic Storm Entertainment LLC	US	US\$3,000,000	75%	75%	Film development, production and distribution in US
Richgroup International Investment Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	Inactive
Sino Shine Global Limited	BVI	1 ordinary share of US\$1 each	100%	100%	Investment holding
Bliss Central Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	Inactive
Copious Gain Holdings Limited	BVI	1 ordinary share of US\$1 each	100%	100%	Investment holding
Cornerstone Strategic Holding Limited	BVI	50,000 ordinary shares of US\$1 each	91.19%	91.19%	Investment holding
Cornerstone Securities Limited	Hong Kong	261,000,000 ordinary shares of HK\$1 each	91.19%	91.19%	Securities brokerage business in Hong Kong
Cornerstone Asset Management Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	91.19%	91.19%	Asset management business in Hong Kong
Glory Creator Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	Investment holding
Hongkong Ming Yeung Technology Co., Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	Investment holding
深圳前海仁恒融資租賃有限公司	PRC	17,000 ordinary shares of RMB1 each	100%	100%	Inactive
Cybersec Technology Pte. Limited	Singapore	10,000 ordinary shares of SGD1 each	100%	100%	Information technology and cybersecurity consultancy

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

24. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Proportion of ownership interest/ voting rights/profit sharing		Principal activities
			2023	2022	
Candela Technology SG Pte. Limited	Singapore	1,000,000 ordinary shares of SG\$1 each	70%	70%	Information technology and cybersecurity consultancy
Real Prosperity Development Limited	Hong Kong	1 ordinary share of Hk\$1 each	100%	-	Investment holding

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

All of the above companies are private limited liability company.

None of the subsidiaries had issued any debt securities during both years and at the end of both years.

25. MARGIN LOAN RECEIVABLES

	2023 HK\$	2022 HK\$
Margin loan receivables	89,854,189	94,959,585
Less: Allowance for credit losses	(23,525,880)	(17,255,993)
	66,328,309	77,703,592

Margin loans to third parties are denominated in Hong Kong dollars, bearing interest at commercial rates, secured by the underlying pledged securities and are repayable on demand.

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group, where the Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call with the margin clients having to make good the shortfall. In granting credit facility, other factors such as financial strength, creditworthiness and the past collection statistics are also considered. The Group's credit review department are responsible to monitor credit risk and seek to maintain a strict control over the outstanding loan balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

25. MARGIN LOAN RECEIVABLES (Continued)

The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. As at 31 December 2023, advances to customers in margin financing of HK\$89,854,189 (2022: HK\$94,959,585) were secured by securities pledged by the customers to the Group as collateral with undiscounted market value of HK\$127,936,998 (2022: HK\$122,322,926).

No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.

Details of impairment assessment of margin loan receivables are set out in note 39.

26. TRADE AND OTHER RECEIVABLES

	Notes	2023 HK\$	2022 HK\$
Trade receivables	(a)	12,575,071	12,312,459
Less: Allowance for credit losses		(2,107,512)	(1,323,984)
Trade receivables, net		10,467,559	10,988,475
Deposits, prepayments and other receivables	(b)	12,384,265	7,824,500
		22,851,824	18,812,975
Analysed as:			
– Current		21,179,823	16,383,616
– Non-current		1,672,001	2,429,359
		22,851,824	18,812,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

26. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an ageing analysis of trade receivables as at the end of reporting period, net of allowance for credit loss presented based on invoice date, is as follows:

	2023 HK\$	2022 HK\$
Within 30 days	6,493,393	7,662,308
31 to 60 days	2,430,377	1,443,776
Over 60 days	1,543,789	1,882,391
	10,467,559	10,988,475

(b) Prepayments, other receivables and other assets

	2023 HK\$	2022 HK\$
Prepayments	5,895,586	2,182,183
Rental deposits	2,338,320	2,245,732
Other deposits	685,903	1,089,312
Deposit with Hong Kong Exchanges and Clearing Limited	705,000	705,000
Other taxes receivables	976,146	750,657
Other receivables	1,748,928	817,234
Due from non-controlling interest (note below)	34,382	34,382
	12,384,265	7,824,500

Note: The amount due from non-controlling interest was unsecured, interest-free and had no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

26. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) Others

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2023 HK\$	2022 HK\$
HK\$	12,993,376	7,925,646
Singapore dollars ("SG\$")	9,365,620	10,537,769
Renminbi ("RMB")	492,828	349,560
	22,851,824	18,812,975

Details of impairment assessment of trade and other receivables are set out in note 39.

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 HK\$	2022 HK\$
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted equity securities	(a)	6,600,000	6,500,000
Equity securities – Listed on the London Stock Exchange	(b)	11,654,675	9,603,000
		18,254,675	16,103,000
Analysed as:			
– Current		18,254,675	9,603,000
– Non-current		–	6,500,000
		18,254,675	16,103,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

(a) Unlisted equity securities

The Group's unlisted equity securities represents 5% equity interest in a private company incorporated in BVI which holds a BioPharma project in the PRC (the "Unlisted Equity Securities Investment"). The Unlisted Equity Securities Investment was acquired at a total consideration of HK\$6,500,000 during the year ended 31 December 2022.

As at 31 December 2022, the directors of the Company are of the view that the Unlisted Equity Securities Investment is not held for trading and they do not expect that the Group will realise the Unlisted Equity Securities Investment within 12 months after the end of the reporting period. Accordingly, they are classified under non-current assets for the year ended 31 December 2022.

Pursuant to the Company's announcement dated 10 January 2024, on 10 January 2024, the Group entered into an agreement (the "Disposal Agreement") with an independent third party and pursuant to which, the Group agreed to sell and the independent third party agreed to purchase all the Unlisted Equity Securities Investment held by the Group at a total consideration of HK\$6,600,000 (the "Disposal"). The Disposal was completed on 31 January 2024. Accordingly, the Unlisted Equity Securities Investment was re-classified as current assets as at 31 December 2023.

Details of the Disposal are set out in the Company's announcement dated on 10 January 2024.

As at 31 December 2023, the fair value of the Group's unlisted equity securities is based on consideration as stated in the Disposal Agreement. (2022: discounted cash flow model with reference to a professional valuation performed by an independent professional valuer) and details of which are set out in note 41.

(b) Equity securities listed on the London Stock Exchange

During the year ended 31 December 2022, the Group subscribed 16,500,000 ordinary shares of a public company incorporated in England and Wales which is principally engaging in technology innovations investments, at a total consideration of GBP660,000 (equivalent to approximately HK\$5,896,000). On 31 October 2022, the ordinary shares of the investee were listed on the Main Market of the London Stock Exchange.

As at 31 December 2023 and 2022, the fair value of the Group's equity securities listed on the London Stock Exchange is based on the recent transaction price traded on the London Stock Exchange.

(c) Others

The carrying amounts of the equity investments at fair value through profit or loss are denominated in the following currencies:

	2023 HK\$	2022 HK\$
HK\$	6,600,000	6,500,000
Pound ("GBP")	11,654,675	9,603,000
	18,254,675	16,103,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

28. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business (see note 31).

The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

29. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2023 HK\$	2022 HK\$
Cash and bank balances	80,909,359	116,671,574
Analysed as:		
– Current	80,909,359	116,310,449
– Non-current	–	361,125
	80,909,359	116,671,574

As at 31 December 2023, a bank deposit of matured HK\$367,343 was pledged to a bank for a guarantee issued by the bank and will be expired within one year from the end of the reporting period, thus, reclassified to current asset. As at 31 December 2022, a bank deposit of HK\$361,125 was pledged to a bank for a guarantee issued by the bank and will be expired after one year from the end of the reporting period, thus, reclassified to non-current assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

29. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Continued)

The carrying amounts of the cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	2023 HK\$	2022 HK\$
HK\$	71,051,709	110,014,014
SG\$	7,288,171	4,138,797
RMB	352,286	269,752
GBP	262	–
US\$	2,216,931	2,249,011
	80,909,359	116,671,574

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK\$352,286 (2022: HK\$269,752). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Details of impairment assessment of cash and cash equivalents and pledged bank deposits are set out in note 41(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

30. TRADE AND OTHER PAYABLES

	Notes	2023 HK\$	2022 HK\$
Trade payables	(a)	927,500	377,313
Accruals		18,787,322	14,921,138
License fee payable		37,746	37,746
Other payables		8,947,686	5,900,753
Advance from a director	(b)	1,616,000	1,616,000
		30,316,254	22,852,950

Notes:

- (a) Trade payables

The trade payables are non-interest bearing and are normally settled from 60 to 90 days.

The following is an ageing analysis of trade payables as at the end of reporting period presented based on invoice date, is as follows:

	2023 HK\$	2022 HK\$
Within 30 days	927,500	377,313

- (b) Advance from a director

The amount represents an advance from a director which is unsecured, interest-free and repayable within one year.

- (d) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2023 HK\$	2022 HK\$
HK\$	15,862,850	11,279,651
SG\$	8,709,895	6,032,835
US\$	4,061,317	4,062,301
RMB	1,682,192	1,478,163
	30,316,254	22,852,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

31. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	2023 HK\$	2022 HK\$
Accounts payable to brokerage clients	10,481,165	25,767,896

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group (see note 28).

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

32. CONTRACT LIABILITIES

	2023 HK\$	2022 HK\$
Contract liabilities arising from advertising and media services	3,180,008	3,076,974

Contract liabilities represent payment received in advance from customers or payment due from customers for the billings in advance of performance obligation in connection with the Group's advertising and media services. Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current or non-current based on the Group's earliest obligation to transfer services to the customers. As at end of the reporting period, all of the Group's contract liabilities are classified as current.

All contract liabilities are non-interest bearing.

The movements in contract liabilities during the years ended 31 December 2023 and 2022 are as follows:

	2023 HK\$	2022 HK\$
Balance at 1 January	3,076,974	2,527,793
Revenue recognized that was included in the contract liabilities at the beginning of the period	(2,664,631)	(1,572,396)
Increase in contract liabilities as a result of payment received in advance from customers or billing in advance of performance obligation	2,732,216	2,107,222
Exchange realignments	35,449	14,355
Balance at 31 December	3,180,008	3,076,974

The changes in balance of contract liabilities was mainly due to the difference between payment received in advance from customers and billing to customers in advance of performance obligation in accordance with terms of the agreement with the advertising and media customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

33. UNPROVIDED DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain insignificant deferred tax assets and liabilities have been offset.

Deferred income tax assets are authorised for tax loss carry-forwards to the extent that the authorised of the related tax benefit through the future taxable profits is probable. The Group did not recognised deferred tax assets of HK\$16,995,764 (2022: HK\$18,797,829) in respect of recognised tax losses of HK\$102,238,482 (2022: HK\$113,178,541). The tax losses can be carried forward against future taxable income with no expiry date.

Other than the above, the directors of the Company consider that the Group did not have any significant unrecognised deferred tax assets or liabilities at the end of the reporting period.

34. SHARE CAPITAL

	2023 HK\$	2022 HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
50,000,000,000 ordinary shares	500,000,000	500,000,000
Issued and fully paid:		
229,418,448 ordinary shares	2,294,184	2,294,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. SHARE CAPITAL

The movements in authorised and issued share capital of the Company during the year were as follows:

	Authorised shares		Issued shares	
	No. of shares	Total HK\$	No. of shares	Total HK\$
At 1 January 2022	50,000,000,000	500,000,000	57,354,612	573,546
Rights Issue	–	–	172,063,836	1,720,638
At 31 December 2022, 1 January 2023 and 31 December 2023	50,000,000,000	500,000,000	229,418,448	2,294,184

As described in the Company's announcement dated 21 January 2022, the Company's circular dated 3 March 2022 and the Company's prospectus dated 4 April 2022, the board of the Company proposed a rights issue on the basis of three rights shares for every one share held by the shareholders of the Company of a total of 172,063,836 new shares at the subscription price of HK\$0.38 per rights share (the "Rights Issue") were issued.

The Right Issue was approved by shareholder of the Company at an extraordinary general meeting held on 23 March 2022.

The Rights Issue was completed on 26 April 2022 and the gross proceeds from the Right Issue of approximately HK\$61.6 million was applied to provide funds for the expansion of the Group's margin financing business and for general working capital of the Group.

Details of the Rights Issue are set out in the Company's announcements dated 21 January 2022 and 26 April 2022, the Company's circular dated 3 March 2022 and the Company's prospectus dated 4 April 2022.

The new issued shares shall rank pair passu in all respects with each other in the share capital of the Company.

Other than the above, there was no movements of the Company's share capital for the years ended 31 December 2022 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

35. NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2023	2022
Percentage of equity held by non-controlling interests:		
Candela Technology SG Pte. Limited ("CTS")	30.00%	30.00%
Stan Lee Global Entertainment LLC ("SLGE")	25.00%	25.00%
Cornerstone Securities Limited ("CSL")	8.81%	8.81%
	HK\$	HK\$
(Loss)/profit for the year allocated to non-controlling interests:		
– CTS	(994,578)	(413,675)
– SLGE	(4,107)	(30,387)
– CSL	61,081	(129,818)
– Individually immaterial subsidiaries with non-controlling interests	(37,267)	(38,579)
	(974,871)	(612,459)
Accumulated balances of non-controlling interest at the reporting date:		
– CTS	(1,436,144)	(417,266)
– SLGE	(3,448,802)	(3,444,722)
– CSL	22,019,000	21,957,919
– Individually immaterial subsidiaries with non-controlling interests	(416,474)	(379,226)
	16,717,580	17,716,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

35. NON-CONTROLLING INTERESTS (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intergroup eliminations.

Year ended 31 December 2022	SLGE HK\$	CTS HK\$	CSL HK\$
Revenue	–	–	9,270,199
Total expenses	(29,362)	(1,271,358)	(8,953,459)
Loss for the year	(28,902)	(1,378,918)	(1,473,529)
Total comprehensive expense for the year	(28,902)	(1,378,918)	(1,473,529)
Current assets	2,244,207	878,407	302,160,934
Non-current assets	–	5,773,792	2,540,552
Current liabilities	(15,669,750)	(5,482,458)	(27,324,034)
Non-current liabilities	–	(2,560,628)	(607,787)
Net cash flows (used in) generated from operating activities	(251,846)	1,033,659	(4,822,732)
Net cash flows (used in) generated from investing activities	–	56	(26,160)
Net cash flows (used in) generated from financing activities	–	(578,166)	25,701,978
Net (decrease) increase in cash and cash equivalents	(251,846)	455,549	20,853,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

35. NON-CONTROLLING INTERESTS (Continued)

Year ended 31 December 2023	SLGE HK\$	CTS HK\$	CSL HK\$
Revenue	–	–	8,735,444
Total expenses	(19,584)	(4,266,395)	(10,076,841)
Loss for the year	(19,584)	(3,315,261)	639,315
Total comprehensive expense for the year	(19,584)	(3,315,261)	639,315
Current assets	2,224,083	2,027,163	287,930,060
Non-current assets	–	2,399,171	1,928,434
Current liabilities	(15,665,950)	(9,213,483)	(12,395,516)
Non-current liabilities	–	–	–
Net cash flows (used in) generated from operating activities	(36,737)	3,116,359	4,757,732
Net cash flows used in investing activities	–	–	(37,681,609)
Net cash flows used in financing activities	–	(3,282,975)	(967,763)
Net decrease in cash and cash equivalents	(36,737)	(166,616)	(33,891,640)

36. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme and Central Provident Fund Scheme for all qualifying employees in Hong Kong and Singapore, respectively. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes at rates specified in the rules of these schemes, which contribution is matched by employees.

The total expense recognised in profit or loss of HK\$1,537,205 (2022: HK\$1,399,480) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2023, contributions of HK\$123,742 (2022: HK\$115,123) due in respect of the year ended 31 December 2023 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

37. RELATED PARTY TRANSACTIONS

Saves as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions and balances with related parties during the year.

- (a) The Group has an outstanding principal amount of HK\$1,616,000 (2022: HK\$1,616,000) as at 31 December 2023 due to An Xilei, a director of the Company. Details of which are set out in note 30 to the consolidated financial statements.
- (b) As at 31 December 2023, the Group has an outstanding principal amount before impairment of HK\$1,091,251 (2022: HK\$1,091,251) due to Wisefit Smooth Limited, an associate of the Company. Details of which are set out in note 22 to the consolidated financial statements.
- (c) Compensation of key management personnel of the Group

	2023 HK\$	2022 HK\$
Salaries, wages and allowances	3,506,000	2,892,500
Pension costs – defined contribution plans	86,132	24,000
Performance related bonuses	–	–
Other post-employment benefits	696,000	696,000
	4,288,132	3,612,500

Further details of directors and the Chief Executive Officer's remuneration are included in note 15 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2023 HK\$	2022 HK\$
Financial assets		
Equity investments at fair value through profit or loss	18,254,675	16,103,000
Financial asset at amortised cost		
– Margin loan receivables	66,328,309	77,703,592
– Trade receivables	10,467,559	10,988,475
– Financial assets included in prepayments, other receivables and other assets	5,512,534	4,891,660
– Pledged deposits	367,343	361,125
– Cash held on behalf of brokerage clients	10,481,165	25,474,711
– Cash and cash equivalents	80,542,016	116,310,449
	191,953,601	251,833,012
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	927,500	377,313
– Financial liabilities included in other payables	29,388,754	22,475,637
– Accounts payable to brokerage clients	10,481,165	25,767,896
– Lease liabilities	13,439,728	29,618,920
	54,237,147	78,239,766

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Foreign currency risk

The Group operates in Hong Kong, Singapore and the United States and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("US\$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operation.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group mitigates this risk by maintaining HK\$ and US\$ bank accounts to pay for the transactions denominated in these currencies. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

In the opinion of the directors of the Company, HK\$ are reasonably stable with US\$ under the Linked Exchange Rate System, and accordingly, the Group does not have any significant foreign exchange risk in respect of transactions or balances as denominated in US\$. Accordingly, no sensitivity analysis is performed on US\$.

(b) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables and margin loan receivables, equity instruments at fair value through profit or loss. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

Trade receivables arising from contracts with customers

Trade receivables have an average credit period of 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. Individual credit evaluations are performed by the Group on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

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

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

	Current	0-30 days	Past due 31-60 days	Over 60 days	Total
At 31 December 2022					
Expected credit loss rate (%)	1.70%	2.67%	4.57%	36.62%	10.75%
Gross carrying amount (HK\$)	4,314,637	3,514,853	1,512,917	2,970,052	12,312,459
Expected credit losses (HK\$)	73,458	93,724	69,141	1,087,661	1,323,984

At 31 December 2023

Expected credit loss rate (%)	5.65%	6.58%	12.27%	46.78%	16.76%
Gross carrying amount (HK\$)	4,723,684	2,180,307	2,770,272	2,900,808	12,575,071
Expected credit losses (HK\$)	267,039	143,559	339,895	1,357,019	2,107,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

The movements in the allowance for credit loss of trade receivables are as follows:

	2023 HK\$	2022 HK\$
At beginning of year	1,323,984	167,723
Impairment loss recognised	766,739	1,155,828
Exchange realignment	16,789	433
At end of year	2,107,512	1,323,984

Margin loan receivables

At 31 December 2023, the collaterals furnished by the margin clients for security of their loans and advances from the Group are listed securities, which are listed in Hong Kong. The total market value of securities amounted to HK\$127,936,998 (2022: HK\$122,322,926) and margin loan receivables amounted to HK\$89,854,189 (2022: HK\$94,959,585). The maximum exposure to credit risk before collateral held or other credit enhancements approximates to the carrying value.

The management estimates the amount of ECL of margin loan receivables based on the assessments considering the probability of default, expected recovery rates from loss given default, forward-looking information and macroeconomic environment as well as the fair value of the collateral pledged by the customers to the margin loan receivables. Based on above assessments, the management, an estimated impairment loss of HK\$6,269,887 (2022: impairment loss of HK\$7,921,041) that was recognised during the year ended 31 December 2023. The management of the Company determine to assess the impairment of margin loan receivables in accordance with general approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment (Continued)

Margin loan receivables (Continued)

The movements in the allowance for credit loss of margin loan receivables are as follows:

	2023 HK\$	2022 HK\$
At beginning of year	17,255,993	9,334,952
Impairment loss recognised	6,269,887	7,921,041
At end of year	23,525,880	17,255,993

Bank balances and pledged bank deposits

Credit risk on bank balances and pledged bank deposits is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for bank balances and pledged bank deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on bank balances and pledged bank deposits is considered to be insignificant and therefore no loss allowance was recognised.

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the year ended 31 December 2023 and 2022, the Group assessed the ECL for other receivables and deposits. No impairment should be provided for the year ended 31 December 2023 and 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECL		Lifetime ECL		Simplified approach HK\$	Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$			
Margin loan receivables	48,662,984	41,782,923	4,513,678		–	94,959,585
Trade receivables	–	–	–		12,312,459	12,312,459
Financial assets included in prepayments, other receivables and other assets						
– Normal	4,891,660	–	–		–	4,891,660
Pledged deposits	–	–	–		–	–
Cash held on behalf of brokerage	25,474,711	–	–		–	25,474,711
Cash and cash equivalents	116,310,449	–	–		–	116,310,449
	195,339,804	41,782,923	4,513,678		12,312,459	253,948,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month ECL		Lifetime ECL		Simplified approach HK\$	Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$			
Margin loan receivables	10,974,382	73,948,838	4,930,969		–	89,854,189
Trade receivables	–	–	–		12,575,071	12,575,071
Financial assets included in prepayments, other receivables and other assets						
– Normal	5,512,534	–	–		–	5,512,534
Pledged deposits	367,343	–	–		–	367,343
Cash held on behalf of brokerage	10,481,165	–	–		–	10,481,165
Cash and cash equivalents	80,542,016	–	–		–	80,542,016
	107,877,440	73,948,838	4,930,969		12,575,071	199,332,318

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet its liquidity requirements in the short and long term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand and within 1 year HK\$	1 to 5 years HK\$	Total HK\$	Carrying amount HK\$
At 31 December 2022				
Trade and other payables	22,852,950	–	22,852,950	22,852,950
Accounts payable to brokerage clients	25,767,896	–	25,767,896	25,767,896
Lease liabilities	18,797,189	18,267,224	37,064,413	29,618,920
	67,418,035	18,267,224	85,685,259	78,239,766
At 31 December 2023				
Trade and other payables	30,316,254	–	30,316,254	30,316,254
Accounts payable to brokerage clients	10,481,165	–	10,481,165	10,481,165
Lease liabilities	11,772,537	1,667,191	13,439,728	14,160,703
	52,569,956	1,667,191	54,237,147	54,958,122

(d) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at fair value through profit or loss. For equity securities measured at fair value through profit or loss quoted in The Stock Exchange of Hong Kong Limited, the management of the Group considered the risk of this exposure is insignificant as the amount of the investment is immaterial.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis of equity securities with fair value measurement categorised within Level 1, the sensitivity rate is increased to 10% in 2022 as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% (2022: 10%) higher/lower, the post-tax result for the year ended 31 December 2023 would increase/decrease by HK\$1,165,468 (2022: increase/decrease by HK\$960,300) as a result of the changes in fair value of investments at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

40. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Net debt is calculated as total borrowing (including "amount due to a director" as included in "trade and other payables" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 HK\$	2022 HK\$
Total borrowing	1,616,000	1,616,000
Less: Cash and cash equivalents	(80,542,016)	(116,310,449)
Net debt	(78,926,016)	(114,694,449)
Total equity	150,258,628	199,740,530
Total capital	71,332,612	85,046,081
Gearing ratio	2.27%	1.90%

41. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Management has assessed the fair values of the Group's financial assets and financial liabilities are approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

41. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets that are measured at fair value on recurring basis:

	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
As at 31 December 2022				
Equity instruments at fair value through profit or loss	9,603,000	–	6,500,000	16,103,000
As at 31 December 2023				
Equity instruments at fair value through profit or loss	11,654,675	–	6,600,000	18,254,675

During the year ended 31 December 2023, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

During the year ended 31 December 2023, there were no transfers of fair value measurement between Level 1 and Level 2 for financial assets, but there was a transfer from Level 1 into Level 3 (See (ii) below). For financial liabilities, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

The Group did not have any significant financial liabilities measured at fair value as at 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

41. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(i) Fair value hierarchy (Continued)

The following table provides information of the valuation technique, key inputs and the correlation of key unobservable input to the fair value measurement of financial instruments carried at fair value:

As at 31 December 2023

Item	Carrying amount	Fair value hierarchy	Valuation technique and key inputs	Effect on fair value for increase of inputs
Equity securities listed on the London Stock Exchange	HK\$11,654,675	Level 1	Quoted bid-prices in an active market	N/A
Unlisted equity securities	HK\$6,600,000	Level 3	Total consideration in the Disposal Agreement (Note 27(a))	N/A

As at 31 December 2022

Item	Carrying amount	Fair value hierarchy	Valuation technique and key inputs	Effect on fair value for increase of inputs
Equity securities listed on the London Stock Exchange	HK\$9,603,000	Level 1	Quoted bid-prices in an active market	N/A
Unlisted equity securities	HK\$6,500,000	Level 3	Discount cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, applied a discounted rate at 19.2% and lack of marketability discount at 15.8%	The higher of the discount rate and lack of marketability discount, the lower of the fair value

The fair value of the unlisted equity securities as at 31 December 2022 has been arrived based on a valuation carried out by an independent professional valuer not connected to the Group who has appropriate qualification and recent experience in the valuation of such equity securities.

Financial assets that are not measured at fair value on recurring basis:

The directors of the Company consider that the carrying amounts of the Group's financial instruments that are not measured at fair value approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

41. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements

The following table presents the changes in level 3 instruments for the year ended 31 December 2023 and 2022:

	Equity investments at fair value through profit or loss	
	2023 HK\$	2022 HK\$
Opening balance	6,500,000	–
Additions	–	6,500,000
Transfer from level 1	–	305,448
Fair value change	100,000	(305,448)
Closing balance	6,600,000	6,500,000

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and corresponding increase of lease liabilities amounted to HK\$796,532 (2022: HK\$12,840,359), in respect of lease arrangements land and buildings and outdoor billboard spaces.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

	Amount due to a director included in trade and other payable HK\$	Lease liabilities HK\$
Year ended 31 December 2022		
As at 1 January 2022	1,616,000	30,001,965
Changes from financing cash flows	–	(9,082,943)
New leases	–	12,840,359
Termination of lease	–	(934,140)
Exchange realignments	–	(11,600)
Interest expense	–	1,543,457
Rent concession	–	(4,738,178)
At 31 December 2022	1,616,000	29,618,920
Year ended 31 December 2023		
As At 1 January 2023	1,616,000	29,618,920
Changes from financing cash flows	–	(12,536,063)
New leases	–	796,532
Lease modification	–	(4,631,275)
Termination of lease	–	(1,690,092)
Exchange realignments	–	64,851
Interest expense	–	1,873,099
Others	–	(56,244)
At 31 December 2023	1,616,000	13,439,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

43. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY

Information about the statement of financial position of the Company at end of the reporting period is as follows:

	2023 HK\$	2022 HK\$
Non-current assets		
Plant and equipment	–	–
Equity investments at fair value through profit or loss	–	6,500,000
Interests in subsidiaries	10,946,221	10,946,206
	10,946,221	17,446,206
Current assets		
Equity investments at fair value through profit or loss	18,254,675	9,603,000
Deposits, prepayments and other receivables	5,295,823	1,653,345
Amounts due from subsidiaries	249,367,995	248,128,908
Cash and cash equivalents	1,165,606	839,838
	274,084,099	260,225,091
Current liabilities		
Accruals and other payables	2,443,150	2,292,008
Lease liabilities	–	–
Amounts due to subsidiaries	147,044,936	100,651,458
	149,488,086	102,943,466
Net current assets	124,596,013	157,281,625
NET ASSETS	135,542,234	174,727,831
Capital and reserves		
Share capital	2,294,184	2,294,184
Reserves (Note below)	133,248,050	172,433,647
TOTAL EQUITY	135,542,234	174,727,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

43. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

A summary of the Company's reserves is as follows:

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2022	552,932,232	(393,743,870)	159,188,362
Rights Issue (see note 34)	59,895,706	–	59,895,706
Loss for the year	–	(46,650,421)	(46,650,421)
At 31 December 2022 and 1 January 2023	612,827,938	(440,394,291)	172,433,647
Loss for the year	–	(39,185,597)	(39,185,597)
At 31 December 2023	612,827,938	(479,579,888)	133,248,050

44. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2023 (2022: Nil).

45. EVENTS AFTER REPORTING PERIOD

Save as disclosed elsewhere in consolidated financial statements, the Group does not have any significant events after reporting period and up to the report announcement date.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2024.



基石金融控股有限公司

CORNERSTONE FINANCIAL HOLDINGS LIMITED