2021 Annual Report

SFUND
广州基金

SFUND INTERNATIONAL HOLDINGS LIMITED

廣州基金國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1367)

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qing *(Chairman)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Yu Wenhao
Ms. Wang Mengsu
Mr. Lin Qiansheng
Mr. Hon Ming Sang

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

AUDIT COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

REMUNERATION COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

NOMINATION COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

CORPORATE GOVERNANCE COMMITTEE

Mr. Lam Kwan Sing *(Chairman)*
Mr. Hon Ming Sang
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

COMPANY SECRETARY

Mr. Hon Ming Sang

AUTHORISED REPRESENTATIVES

Mr. Lam Kwan Sing
Mr. Hon Ming Sang

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 904-5
9/F., Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

CAYMAN ISLANDS 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

Union Registrars Limited
Suites 3301-04
33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

ZHONGHUI ANDA CPA Limited
23/F, Tower 2,
Enterprise Square Five,
38 Wang Chiu Road,
Kowloon Bay, Hong Kong

WEBSITE

www.1367.com.hk

STOCK CODE

1367

Financial Summary

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**10,864**	11,757	64,330	137,744	259,106
Gross profit	**10,560**	8,308	22,407	33,543	46,309
Loss before tax	**(44,972)**	(82,835)	(127,437)	(97,099)	(43,192)
Income tax credit/(expense)	**268**	318	2,016	(1,898)	(806)
Loss for the year	**(44,704)**	(82,517)	(125,421)	(98,997)	(43,998)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**153,518**	177,538	204,858	310,778	248,782
Total liabilities	**399,981**	379,908	325,222	305,280	141,390
Net (liabilities)/assets	**(246,463)**	(202,370)	(120,364)	5,498	107,392

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of SFund International Holdings Limited (the "Company"), I am pleased to present to you the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021.

RESULTS OF THE GROUP

Revenue

During the financial year under review, the Group recorded a revenue of approximately HK$10.9 million (2020: HK$11.8 million), representing a decrease by 7.6% as compared to last year. The overall financial performance of the Group was adversely affected due to the coronavirus ("COVID-19") outbreak, and the decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business to HK$2,657,000 (2020: HK$5,603,000) due to the keen market competition as a result of the global pandemic and overall weak consumer spending sentiment, and the disposal of two subsidiaries engaged in apparel businesses during the year; (ii) realised gain on an investment in unlisted equity investment at fair value through profit or loss of HK$2,000 (2020: realised gain on listed securities investment of HK$3,000), which was arising from the Group's business segment on securities investment; (iii) a decrease in interest income from money lending business to HK$4,921,000 (2020: HK$5,618,000); and (iv) an increase in revenue derived from financial services business to HK$3,284,000 (2020: HK$533,000), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China.

Loss for the year

The net loss attributed to the owners of the Company for the year ended 31 December 2021 amounted to approximately HK$41,839,000 (2020: HK$77,546,000), resulted in a basic loss per share for the year ended 31 December 2021 of HK8.72 cents (2020: HK16.16 cents), representing a decrease in loss attributed to the shareholders of the Company (the "Shareholders") by 46.0%. The decrease in loss was resulted from the effects of (i) decrease in revenue as described above; (ii) decrease in administrative expenses due to cost control; (iii) increase in other income and gains due to gain on disposal of subsidiaries from the apparel supply chain management services business.

BUSINESS OVERVIEW AND PROSPECT

The apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers, and from provision of supply chain management services for factories.

Chairman's Statement

During the year, the Group faced decrease in revenue for sales to customers in the United States of America (the "USA") because of the COVID-19. To reduce the loss, the Group disposed two subsidiaries during the year. The Group also took remedial action and generated income by providing supply chain management services for factories. The Group is still exploring other alternatives to develop markets in other geographical regions so as to diversify its customer base.

On 14 September 2020, 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd.*) ("Hunan Huiyin Tianxing") (a 51%-owned subsidiary of the Company) secured a loan of RMB50 million from major shareholders of the Company for investing in high-quality projects domestically. On 13 January 2021, Hunan Huiyin Tianxing invested RMB20,000,000 through a partnership in 阿克蘇興疆牧歌食品股份有限公司 (Aksu Xingjiang Muge Food Company Limited*) ("Xingjiang Muge"), being a company principally engaged in pig farming and food processing in the PRC. On 12 March 2021, Hunan Huiyin Tianxing provided a loan of RMB28,000,000 to 郴州瑞嶸房地產開發有限公司 (Chenzhou Ruirong Real Estate Development Co., Ltd.*) ("Ruirong Real Estate"), which is a company principally engaged in real estate development and operation, sale and leasing of housing and sale of building materials in the PRC. Hunan Huiyin Tianxing will continue to cooperate with financial institutions and industry leaders to explore investment opportunities in equity and debt projects in order to expand the financial business of the Group.

The Group will continue to expand its financial services segment by applying for the necessary licenses for, or acquiring licensed corporation to conduct regulated activities, or acquiring interest in, or setting up funds to invest in, companies or projects which have good potentials and prospect.

Regarding the Group's money lending business, during the year, the existing borrower of the Group with a total loan principal amount of HK$40,000,000 as at 31 December, 2021, continue to provide revenue stream to the Group.

Trading in share of the Company has been suspended with effect from 9:00 a.m. on 8 February 2021. The Company is taking appropriate steps to resolve the issues that led to the suspension and will continue to develop its existing business, in particular its financial services business (including but not limited to money lending, asset management, fund management and financial advisory), further expand the scale of its financial services business and identify potential investment projects on financial services platform so that our financial services business can be more diversified and synergistic. The Group continues to seek for high-quality underlying assets in both domestic and overseas markets and has negotiated with a number of target companies about acquisition proposals. We will continue to identify companies or projects with good potential and prospects to expand the business of the Group, and seek to resume trading in our shares as soon as possible in full compliance with the Listing Rules and in a manner satisfactory to the Stock Exchange.

Chairman's Statement

APPRECIATION

Finally, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders, investors, bankers, business associates and customers for their great support and trust, and to our Directors, management and staff for their invaluable contributions to the Group over the past year. The Group will also actively develop its own businesses to achieve fabulous returns for our Shareholders.

Li Qing
Chairman

Hong Kong, China, 31 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

The Group was principally engaged in (i) apparel supply chain management services business; (ii) financial services business; (iii) money lending business; and (iv) securities investment during the year.

Apparel Supply Chain Management Services Business

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. This includes sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers, and from providing apparel supply chain management services for factories.

Sales in 2021 to the USA customers declined because of the continued epidemic of the COVID-19 and the overall weak consumer spending sentiment. For the year ended 31 December 2021, the Group's revenue from apparel supply chain management services business were HK$2,657,000, representing a significant decrease of approximately 53% when compared to the corresponding period last year of HK$5,603,000. The segment loss from the respective segment were HK$11,086,000 as compared to segment loss of HK$18,292,000 for the corresponding period last year.

Due to less competitiveness than the other service providers, the Group lost significant customers in the past years, together with the disposal of two subsidiaries, the Group thereby recorded substantial decrease in revenue from this segment. In addition, the US-China trade war since 2018 also weakened the competitiveness of the Group.

As a result of the intensive competition among the industry, the US-China trade war, the outbreak of COVID-19 worldwide and an overall weak consumer spending sentiment, the management of the Group expects the financial performance of this segment would remain stagnant for a protracted period.

Financial Services Business

During the year, the Group carried out financial services business through its subsidiaries including 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") in Hong Kong, China as well as equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund and corporate management consultancy services in the People's Republic of China (the "PRC").

On 13 January 2021, Hunan Huiyin Tianxing invested RMB20,000,000 through a partnership in Xingjiang Muge, being a company principally engaged in pig farming and food processing in the PRC.

Further details of this transaction is set out in the Company's discloseable transaction announcement dated 13 January 2021.

Management Discussion and Analysis

On 12 March 2021, Hunan Huiyin Tianxing provided a loan of RMB28,000,000 to Ruirong Real Estate, which is a company principally engaged in real estate development and operation, sale and leasing of housing and sale of building materials in the PRC.

Pursuant to the loan agreement, Hunan Huiyin Tianxing agreed to grant to Ruirong Real Estate a loan of RMB28,000,000 for a term of 6 months from 12 March 2021, and could be further extended for another 6 months with written consent of Hunan Huiyin Tianxing (or any other date as may be agreed by Hunan Huiyin Tianxing and Ruirong Real Estate in writing). The loan is secured by i) the charge over the land use rights of a land (the "Land") created by Ruirong Real Estate in favour of Hunan Huiyin Tianxing; and ii) an irrevocable joint and several guarantee executed by the guarantors (the "Guarantors"), namely Hunan Ruirong Real Estate Group Co., Ltd.*(湖南瑞榮置業集團有限公司), Li Zhilin(李志林), Li Yijuan(李宜娟)and Li Chengbin(李成彬)in favour of the Ruirong Real Estate. Hunan Huiyin Tianxing will continue to cooperate with financial institutions and industry leaders to explore investment opportunities in equity and debt projects in order to expand the financial business of the Group. Further details of the transaction is set out in the Company's announcements dated 12 March 2021. The loan is still outstanding as at 31 December 2021 with an aggregate outstanding loan principal of HK$34,353,000.

Subsequent to the end of the reporting period, Ruirong Real Estate had repaid HK$22,084,000 of the loan to Hunan Huiyin Tianxing. The remaining outstanding loan balance was HK$12,269,000.

During the year, the revenue and operating loss generated in this segment were HK$3,284,000 (2020: HK$533,000) and HK$16,389,000 (2020: HK$27,857,000), respectively.

The decrease in loss of this segment were due to the decrease in salaries, increase in revenue and increase in fair value gain on financial assets at fair value through profit or loss of HK$1,079,000 regarding the financial assets of investment in Xingjiang Muge for the year ended 31 December 2021. The management engaged on external independent valuer to access the fair of the financial assets at fair values through profit or loss. During the year, the Group made the application to the Securities and Futures Commission (the "SFC") to cancel the business licence of Type 1 (Dealing in Securities) in order to reduce the administrative expenses. Subsequent to the financial year under review, on 24 January 2022, SFC accepted the application and revoked the business licence of Type 1.

Money Lending Business

The Group engaged in the money lending business through Capital Strategic Partners Limited ("Capital Strategic"), an indirect wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong, China. During the year, the interest income and operating profit generated in this segment were HK$4,921,000 (2020: HK$5,618,000) and HK$3,972,000 (2020: HK$3,298,000), respectively.

As at 31 December 2021, there was a transaction of loan advanced to a customer. The loan was still outstanding as at 31 December 2021 with an aggregate outstanding loan principal of HK$40,000,000.

Management Discussion and Analysis

On 14 February 2018, Capital Strategic entered into a loan agreement with China-HK Holdings Investment Limited ("China-HK"), a company incorporated in Hong Kong, China with limited liability, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK$40,000,000 for a term of 6 months from the dates of the relevant drawdown, which could be further extended upon the request of China-HK and subject to agreement of Capital Strategic in writing. The loan is secured by the charge over the entire issued share capital of Wide Merit Limited and 2 wholly-owned subsidiaries of China-HK. On 14 August 2018, Capital Strategic and China-HK entered into a supplemental loan agreement to extend the repayment date to 14 February 2019. Further details of the transaction is set out in the Company's announcements dated 14 February 2018 and 14 August 2018. The loan is still outstanding as at 31 December 2021.

The directors reviewed the recoverable amount of the loans receivables with reference to their respective current creditworthiness, repayment records and value of the collaterals to ensure that adequate impairment losses are recognized. The management engaged an external independent valuer to assess the value of the collaterals and expected credit losses for each of the loans receivable by applying the probability of default approach under HKFRS 9. As at 31 December 2021, accumulated impairment losses of HK$616,000 (2020: HK$616,000) has been recognized to reflect recoverable amount of the loans receivables.

Management had formulated a fundamental policy to establish its internal control systems. The Group would adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer to maximise the return of the money lending business as well as diversify the credit risk.

The Group has its internal control and work procedure manual in granting a loan facility.

When clients approach the Group for a request on loan financing, client identification procedures will take place with officers of the Group would enquire the potential client's information, for individuals, it would include without limitations to personal data such as his/her Hong Kong identity card (or passport) and residential address proof; and for corporations, it would include without limitations to information and documents such as the certificate of incorporation, registers of members and directors, the articles of association, certificate of incumbency and/or certificate of good standing (where applicable). An application form will be filled in and submitted to an officer in the Group. (the above is collectively referred to as the "Application")

Generally, credit worthiness assessments will also take place for such potential individual and corporate clients by (1) doing financial assessments such as obtaining bank and security statements, income proof, property proof, its audited financial statements and/or the latest management account (if any) (the "Documentary Proof"); and (2) conducting different searches which mainly contains bankruptcy or winding up search, land search and credit search.

The Group also has in place all measures to duly observe relevant laws, rules and regulations including but not limited to those in connection with sanctions or terrorist financing risk of potential clients and/or its businesses, such as the nature and details of the business/occupation/employment of the potential clients (if applicable); nationality of potential clients; the expected source and origin of the funds to be used; and initial and ongoing source(s) of wealth or income (if applicable).

(the above is collectively referred to as the "Assessment Process")

Management Discussion and Analysis

As a general and ongoing work, the Group performs ongoing monitoring on clients as to its credit risk and will review the extent required for clients' due diligence.

It is submitted that in determination of the loan terms (including but not limited to the interest rate and the duration of the loan), the Group refer to the prevailing market practices when determining the terms of the loan, in order to lower the Group's exposure, the requirement of security, personal or corporate guarantee would be taken into account before the Group would grant a loan. It would also determine such granting of loans and the relevant terms on the background of such potential clients (with reference to the Documentary Proof provided and the reputation of such clients) and results of credit risk assessment on those potential clients. Moreover, the terms of the loans to be granted, together with all the necessary loan documentations would be subject the Approval Process (as defined herein below). (the "Term Determination").

It is submitted that as a matter of the approval process of loan financing to potential clients, the first step would be the Assessment Process applied to potential clients during the client on boarding, the next step would be the Term Determination procedures and the preparation of the corresponding loan documentations.

As the Company is listed on Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), officers of the Group receiving a loan financing request from a potential client will have to confirm on both the client's end and the Company's end as to whether such client is a connected person as defined under the Rules (the "Main Board Listing Rules") Governing the Listing of Securities on Main Board of the Stock Exchange and whether it is a notifiable transaction.

Under the current practice, the Application would be first approved by the Investment Committee with the following threshold in monetary value: (1) for loans with total amount of less than HK$50 million, no investment proposal or Board approval is required for granting of loans; (2) for loans with total amount equal to or more than HK$50 million but less than HK$100 million, a summarized investment proposal is required to be prepared, approved and submitted by the Investment Committee. Such proposal has to be approved at the Board meeting of the Company duly convened and constituted before the proposed dealings can be put into practice for granting of loans; and (3) for loans with total amount equal to or more than HK$100 million, a detailed investment proposal instead of a summarized one is required to be prepared, approved and submitted by the Investment Committee. Also, approval of such proposal at the duly convened and constituted Board meeting of the Group is needed. Moreover, we consider whether the amount of the loans constitute a discloseable transaction by assessment of size tests pursuant to the Main Board Listing Rules (the "Approval Process").

When the provision of the loans constitutes a discloseable transaction of the Company, it is required to subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

And for this purpose, "total amount" shall mean the total amount of consideration in Hong Kong dollars (or its equivalent in other currency) for each transaction or project or on each target entity (as a single entity and as a group) or with each counterparty, whether in one transaction or one payment or in aggregate for each financial year.

With the approval to grant loans obtained, the next step would be the passing of resolutions of the Group to authorise the granting of loans, the transactions contemplated thereunder, and the execution of all necessary loan documentations. It is submitted that the Group will monitor continuously the interest repayment and loan repayment according to the terms of the loan agreements and follow up closely with its clients as to the deadlines in payment of interest or the loan.

The Group's officers remind borrowers regularly for repayment of loan instalments (and the interests accrued thereupon) in accordance with the repayment schedule assigned for such loans, and with those reminders, those officers will also check as to whether the borrowers agree with the balance of the loans.

The Group has procedure in dealing with default in payment. On a monthly basis, the officers of the Group will report to the Investment Committee on the loans' respective repayment status, and in cases on defaults in repayment, the Investment Committee will be immediately reported (the "Reporting Procedure").

In cases of default and/or delinquent loans, the recovery procedure will commence and the officers of the Group will send reminder letters or e-mails to the borrowers for repayment. The Management Team will be responsible to arrange for negotiations with the borrowers for the repayments of loans and accrued interests. The Group may also engage lawyers in advising on the loan and its recovery and enforcement action. These lawyers may be engaged as well to (i) issue demand letters to the borrowers in default of their repayment, demanding for repayment of the outstanding amount owed to the Group; and (ii) advise and assist in the potential legal actions required for the enforcement of the loans with default in repayment.

Securities Investment

During the year, the Group carried out the Group's investment business in securities investment.

During the year, the revenue arising from this segment was HK$2,000 (2020: HK$3,000). Revenue was attributable to the net realised gain on unlisted equity investment of HK$2,000 for the year ended 31 December 2021. (2020: net realised gain on listed securities investment of HK$3,000).

The overall performance of the securities investment business recorded a profit of HK$2,000 for the year ended 31 December 2021 (2020: loss of HK$13,000), which was primarily attributable to the realised equity investment stated above. As at 31 December 2021 and 31 December 2020, the Group's did not have any listed securities investment.

The Group is currently looking into other investment opportunities including private equities, debt securities, derivatives and funds. The management plans to revise its investment strategies and formulate new investment policies in the near future.

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group has diversified its operations into four segments, being

(a) Apparel supply chain management services;

(b) Financial services;

(c) Money lending; and

(d) Securities investment.

Financial results from the Group's operations are summarized as follows:

Revenue

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 December 2021 is as follows:

- Apparel supply chain management services business: HK$2,657,000, 24.5% of revenue (2020: HK$5,603,000, 47.7%)
- Financial services business: HK$3,284,000, 30.2% of revenue (2020: HK$533,000, 4.5%)
- Money lending business: HK$4,921,000, 45.2% of revenue (2020: HK$5,618,000, 47.7%)
- Securities investment: HK$2,000, 0.1% of revenue (2020: HK$3,000, 0.1%)

Revenue by Geographical Segments

Ratio analysis by geographical segments for the Group's revenue for the year ended 31 December 2021 is as follows:

- Cambodia: HK$2,657,000, 24.5% of revenue (2020: HK$2,457,000, 20.9%)
- USA: HK$nil, 0% of revenue (2020: HK$1,847,000, 15.7%)
- Mainland China: HK$3,286,000, 30.3% of revenue (2020: HK$1,033,000, 8.8%)
- Hong Kong, China: HK$4,921,000, 45.2% of revenue (2020: HK$5,612,000, 47.7%)
- Other countries: HK$nil, 0% of revenue (2020: HK$808,000, 6.9%)

Management Discussion and Analysis

The Group's revenue for the year ended 31 December 2021 was HK$10,864,000, being a decrease of HK$893,000 when compared to the corresponding period last year of HK$11,757,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business to HK$2,657,000 (2020: HK$5,603,000) due to the keen market competition as a result of the global pandemic and overall weak consumer spending sentiment, and the disposal of two subsidiaries engaged in apparel businesses during the year; (ii) an increase in revenue derived from financial services business to HK$3,284,000 (2020: HK$533,000), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China; (iii) a decrease in interest income from money lending business to HK$4,921,000 (2020: HK$5,618,000); and (iv) realised gain on an investment in unlisted equity investment at fair value through profit or loss of HK$2,000 (2020: realised gain on listed securities investment of HK$3,000), which was arising from the Group's business segment on securities investment.

Cost of Sales and Services Rendered

Cost of sales of the Group relates to (i) its apparel supply chain management services business and includes raw materials, subcontracting fees, and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products; and (ii) the direct cost of fund management services mainly consists of fund manager costs.

Gross Profit

The Group's gross profit for the year ended 31 December 2021 was HK$10,560,000, representing an increase of approximately 27.1% from HK$8,308,000 in the corresponding period last year. The increase in gross profit was because there were decrease in cost of sales from the apparel supply chain management services business and increase in revenue from financial services business.

Other Income and Gains

Other income and gains for the year ended 31 December 2021 was HK$26,616,000, representing an increase of approximately 1,500.5% from the corresponding period last year of HK$1,663,000. The significant increase was mainly due to the gain on disposal of subsidiaries from the apparel supply chain management services business.

Selling Expenses

Selling expenses primarily consist of (i) sample cost; (ii) staff cost; and (iii) other selling and distribution expenses. Selling expenses for the year ended 31 December 2021 was HK$315,000, representing a decrease of approximately 76.7% from the corresponding period last year of HK$1,353,000. The decrease was mainly due to the decrease in sample cost and staff cost.

Management Discussion and Analysis

Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, rental expenses for the Group's office premises and travelling expenses. Administrative expenses for the year ended 31 December 2021 was HK$43,418,000, representing a decrease of approximately 35.3% from the corresponding period last year of HK$67,140,000. The decrease was mainly due to the decrease in salaries and professional fee.

Other Expenses, Net

Other expenses, net mainly represented the provision for ECL on loans receivable and provision for impairment of intangible assets. Other expenses, net for the year ended 31 December 2021 was HK$4,828,000, representing an increase of approximately 542% from the corresponding period last year of HK$752,000. The significant increase was mainly due to increase in provision for impairment of intangible assets of the securities dealing CGU of HK$1,625,000 and increase in provision for impairment of right-of-use assets of HK$3,203,000.

Finance Costs

Finance costs for the year ended 31 December 2021 was HK$31,946,000, representing an increase of approximately 45.3% from the corresponding period last year of HK$21,993,000. The increase was mainly due to the late interest from the other borrowings.

Loss for the Year

The net loss attributed to the owners of the Company for the year ended 31 December 2021 amounted to HK$41,839,000 (2020: HK$77,546,000), resulted in a basic loss per share for the year ended 31 December 2021 of HK8.72 cents (2020: HK16.16 cents), representing a decrease in loss attributed to the shareholders of the Company (the "Shareholders") by 46.0%. The decrease in loss was resulted from the effects of (i) decrease in administrative expenses due to cost control; (ii) increase in other income and gains due to gain on disposal of subsidiaries from the apparel supply chain management services business.

PROSPECTS

To improve the financial position of the Group, the Company is considering various options to strengthen the capital of the Company and will, when appropriate, disclose further development on the above matter, if any, by way of further announcement(s) in accordance with regulatory requirements.

Apparel Supply Chain Management Services Business

The management of the Group expects the business environment for the apparel supply chain management services business in 2021 remains challenging. The contagious COVID-19 pandemic not only hits the US economy, but also affects the production efficiency in the main production bases of the Group.

Management Discussion and Analysis

Due to less competitiveness than the other service providers, the Group lost significant customers in the past years and thereby recorded substantial losses from this segment. The disposal of the loss-making subsidiaries has helped the Group to reduce the segment loss. It also enables the Group to streamline the operations and explore new customers.

As a result of the intensive competition among the industry, the US-China trade war, the outbreak of COVID-19 worldwide and an overall weak consumer spending sentiment, the management of the Group expects the financial performance of this segment would remain stagnant for a protracted period. The management is considering different options, including the disposal parts of apparel supply chain business, to reduce the loss.

Money Lending Businesses

The management expects that the money lending business segment will become one of the Group's stable income sources. The management will go on paying close attention to the development of this business segment and promptly react to the demand in the market. It is expected that the Group will not expand its loan portfolio unless the Group managed to raise abundant funds through fund raising exercises and/or borrowings.

Financial Services Businesses

The management continues looking into possible acquisitions of asset management companies and other financial service platforms located in both Hong Kong, China and Mainland China, in order to build a strong, growing and diversified financial services sector.

The Group will continue to expand its financial services segment by applying for the necessary licenses for, or acquiring licensed corporation to conduct regulated activities, or acquiring interest in, or setting up funds to invest in, companies or projects which have good potentials and prospect.

As at the date of this report, the Company has been considering potential targets with an aim to maintaining a sufficient level of business operations and assets of the Group. The management expects that the contribution from financial services business segment will increase significantly in the near future.

Securities Investment

During the year, the Hong Kong, China stock market experienced significant volatility due to the impact of COVID-19 and economic events in the domestic and international markets. In response to that, the Group will continue to closely monitor market conditions and may consider changing its investment portfolio from time to time. We will also explore other investment opportunities, including but not limited to private equity investments, debt securities, derivative instruments and funds.

Management Discussion and Analysis

Conclusion

Trading in shares of the Company has been suspended with effect from 9:00 a.m. on 8 February 2021. The Company is taking appropriate steps to resolve the issues that led to the suspension and will continue to develop its existing business, in particular its financial services business (including but not limited to money lending, asset management, fund management and financial advisory), further expand the scale of its financial services business and identify potential investment projects on financial services platform so that our financial services business can be more diversified and synergistic. The Group continues to seek for high-quality underlying assets in both domestic and overseas markets and has negotiated with a number of target companies about acquisition proposals. We will continue to identify companies or projects with good potential and prospects to expand the business of the Group, and seek to resume trading in our shares as soon as possible in full compliance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and in a manner satisfactory to the Stock Exchange.

THE STOCK EXCHANGE'S DECISION ON THE COMPANY'S NON-COMPLIANCE WITH LISTING RULE 13.24

Trading in the shares (the "Shares") of the Company on the Stock Exchange has been suspended since 8 February 2021.

The Company has received a letter dated 24 April 2020 from the Listing Division of the Stock Exchange (the "Letter") notifying the Company of its decision that the Company has failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares, and that the trading in the Company's shares will be suspended under Rule 6.01(3) of the Listing Rules (the "Decision").

Pursuant to the Letter, the Company must re-comply with Rule 13.24 of the Listing Rules, fulfill any resumption guidance that may be set by the Stock Exchange and is in full compliance with the Listing Rules to the Stock Exchange's satisfaction before the trading of the Company's shares is allowed to resume. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of the Company's shares if trading remains suspended for a continuous period of 18 months.

On 5 May 2020, the Company has submitted a written request to the Listing Committee of the Stock Exchange (the "Listing Committee") for reviewing the Decision. On 9 October 2020, the Listing Committee decided to uphold the Decision to suspend trading in the Shares.

On 19 October 2020, the Company has submitted a written request to the Listing Review Committee of the Stock Exchange (the "Listing Review Committee") for a further and final review of the Decision of the Listing Committee. On 26 January 2021, the Listing Review Committee conducted a review hearing to review the Decision of the Listing Committee set out in its letter dated 9 October 2020 (the "LC Decision"). On 5 February 2021, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee, having carefully considered all the facts and evidence, and all submissions presented by the Company and the Listing Division of the Stock Exchange (the "Listing Division"), decided to uphold the LC Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules on the ground that the Company had failed to comply with Rule 13.24 of the Listing Rules.

Management Discussion and Analysis

On 8 February 2021, the Company received a letter from the Stock Exchange setting out the following resumption guidance for resumption of trading in Shares (the "Resumption Guidance"):

- to demonstrate the Company's compliance with Rule 13.24 of the Listing Rules.

The Company must remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in Shares is allowed to resume. The Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange may modify or supplement the Resumption Guidance if the Company's situation changes.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 7 August 2022. If the Company fails to remedy the issue(s) causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in Shares by 7 August 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 8 February 2021. For details, please refer to the announcements of the Company dated 26 April 2020, 27 April 2020, 5 May 2020, 9 October 2020, 19 October 2020, 5 February 2021, 9 February 2021, 7 May 2021, 6 August 2021, 5 November 2021 and 7 February 2022.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including bonds, other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the new share issues as well as the issuance of debts and redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

As at 31 December 2021, the other borrowings were HK$216,854,000 (31 December 2020: HK$214,213,000) and bond payables were HK$89,000,000 (31 December 2020: HK$80,000,000). As at 31 December 2021 and 31 December 2020, all borrowings are carried at fixed interest rates ranging from 6% to 8.5% per annum and repayable in 2021 to 2025. Default interest was required to pay according to the default terms stated in the loan agreements, if any.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's working capital was financed by both internal resources and other borrowings.

As at 31 December 2021, cash and cash equivalents amounted to HK$3,057,000, which decreased by approximately 95.5% as compared to HK$68,179,000 as at 31 December 2020. The decrease were mainly due to the proceeds used in two projects including RMB20,000,000 investment through a partnership in Xingjiang Muge and provision of a loan of RMB28,000,000 advance to Ruirong Real Estate in the financial services business.

Management Discussion and Analysis

As at 31 December 2021, the Group's total borrowings amounted to HK$305,854,000 (31 December 2020: HK$294,213,000), mainly consist of other borrowings amounting to HK$216,854,000 (31 December 2020: HK$214,213,000) and bond payables amounting to HK$89,000,000 (31 December 2020: HK$80,000,000). The other borrowings of the Group as at 31 December 2021 and 31 December 2020 were incurred for operation and business purpose.

The current ratio of the Group as at 31 December 2021 was 0.34 (31 December 2020: 0.46). The gearing ratio is calculated based on the total liabilities divided by the total assets. The gearing ratio of the Group as at 31 December 2021 was approximately 260.5% (31 December 2020: approximately 214.0%).

As at 31 December 2021, the Group had net current liabilities of HK$238,127,000 (31 December 2020: HK$188,341,000) and net liabilities of HK$246,463,000 (31 December 2020: HK$202,370,000). The net current liabilities and the net liabilities position were attributable to material loss for the year as a result of the poor performance of the Group's businesses and the outstanding bond payables balance of HK$80,000,000 (31 December 2020: HK$80,000,000) and other borrowings balance of HK$186,854,000 (31 December 2020: HK$186,213,000) due within twelve months from the end of the reporting period. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are formulating proposals for fund raising exercises and will, when appropriate, disclose further development on the above matter, if any, by way of further announcement(s) in accordance with regulatory requirements and it has taken the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(i) Kapok Spirit, issued a letter of intent to extend the bond maturity date of a bond payables of HK$80,000,000.

(ii) As regards the bond held by Kapok Spirit, the Company intends to negotiate with Kapok Spirit and SFund Investment Fund on the Possible Capitalisation. It is expected that the Company would be able to improve the financial position and reduce the finance costs if the Possible Capitalisation is materialized.

(iii) The Company intends to raise funds by issuing new securities. As at the date of this report, the Group has not yet entered into any understanding, arrangement or agreement about the aforesaid plan. The fund raising activity is subjected to the approval from the Stock Exchange and market conditions. The Company intends to use such proceeds for the potential acquisition, expansion of the Group's business and/or as working capital of the Group.

(iv) The Company plans to dispose certain subsidiaries with minimal or nil revenue in past years to save staff costs. It is expected that the Group would be able to reduce certain administrative expenses in the current financial year.

Management Discussion and Analysis

The directors of the Company have given careful consideration to the future liquidity of the Group and are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare these financial statements on a going concern basis.

DISCLAIMER OF OPINION

As disclosed in the Independent Auditor's Report, the auditors of the Company, ZHONGHUI ANDA CPA Limited (the "Auditors") issued a disclaimer of opinion (the "Disclaimer of Opinion") on the consolidated financial statements of the Group for the year ended 31 December 2021. Set out below is the paragraph headed "Basis for Disclaimer of Opinion" as disclosed in the Independent Auditor's Report:–

"We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of HK$41,839,000 and HK$77,546,000 respectively for two consecutive years of year ended 31 December 2021 and 2020 and as at 31 December 2021 the Group had net current liabilities and net liabilities of HK$238,127,000 and HK$246,463,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. The consolidated financial statements do not include any adjustments that would result from the failure to complete the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. We consider that the material uncertainties have been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

During the course of audit of the consolidated financial statement of the Company for the year ended 31 December 2021, the Auditors had raised concern on the Group's ability to operate as a going concern. In order to address this concern, the Company has, among other things, taken the following steps:–

(i) The Group has been urging its customers of the financial services segment to settle the loan. Subsequent to the end of the reporting period, the Company received HK$22 million from a customer and was used to settle the other borrowings of the Groups.

(ii) The Company has received a letter of intent from Kapok Spirit to extend the maturity date of the outstanding bond payable of HK$80 million.

Based on the above, and in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to raise funds by issuing of securities in future. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern.

Management Discussion and Analysis

Despite the effort by the Company to address the concern, the Auditors issued the Disclaimer of Opinion as they cast doubt on the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. The management of the Company (the "Management") has considered the Auditors' rationale and understood their consideration in arriving their opinion.

In order to address the Disclaimer of Opinion, the Company will continue to take the following steps to improve the Group's working capital and cash flow position and mitigate its liquidity pressure:–

(i) Possible settlement of bond payable and shareholder's loans by way of capitalisation

As at 31 December 2021, the bond payable amounted to HK$80 million which shall be due within twelve months from 31 December 2021 was held by Kapok Spirit.

As regards the bond held by Kapok Spirit, the Company intends to negotiate with Kapok Spirit and SFund Investment Fund on the Possible Capitalisation. It is expected that the Company would be able to improve the financial position and reduce the finance costs if the Possible Capitalisation is materialised.

(ii) Possible issue of new securities

The Company intends to raise funds by issuing new securities. As at the date of this report, the Group has not yet entered into any understanding, arrangement or agreement about the aforesaid plan. The fund raising activity is subjected to the approval from the Stock Exchange and market conditions. The Company intends to use such proceeds for the potential acquisition, expansion of the Group's business and/or as working capital of the Group.

(iii) Income-generating and cost-saving measures

In order to improve financial performance and operating efficiency, the Group has, among others, been implemented a number of income-generating and cost-saving measures:–

(a) Expansion on financial services business

On 14 September 2020, Hunan Huiyin Tianxing secured a loan of RMB50 million from major shareholders of the Company for investing in high-quality projects domestically. On 13 January 2021, Hunan Huiyin Tianxing invested RMB20,000,000 through a partnership in Xingjiang Muge, being a company principally engaged in pig farming and food processing in the PRC. On 12 March 2021, Hunan Huiyin Tianxing provided a loan of RMB28,000,000 to Ruirong Real Estate, which is a company principally engaged in real estate development and operation, sale and leasing of housing and sale of building materials in the PRC. For details, please refer to the announcements of the Company dated 14 September 2020, 13 January 2021 and 12 March 2021.

Hunan Huiyin Tianxing will continue to cooperate with financial institutions and industry leaders to explore investment opportunities in equity and debt projects in order to expand the financial business of the Group.

The Group will continue to expand its financial services segment by applying for necessary licenses to conduct regulated activities, acquiring licensed corporations engaged in regulated activities, acquiring interests in companies or projects with good potential and prospects or establishing funds to invest in such companies or projects.

(b) Acquiring high-quality underlying assets

The Group continues to seek for high-quality underlying assets in both domestic and overseas markets and has negotiated with a number of target companies about acquisition proposals successively. We will continue to identify companies or projects with good potential and prospects to expand the business of the Group.

(c) Cost-saving/reduction

The Company plans to dispose certain subsidiaries with minimal or nil revenue in past years to save staff costs. It is expected that the Group would be able to reduce certain administrative expenses in the current financial year.

In light of the above, the Board is confident that the Disclaimer of Opinion would be removed for the financial year ending 31 December 2022.

Management Discussion and Analysis

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The members of the audit committee of the Company (the "Audit Committee") had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Company for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management's position based on the reasons above. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Company, and considered the Auditors' rationale and understood their consideration in arriving their opinion.

TREASURY POLICIES

The Group has adopted a prudent treasury policy. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States dollars ("US$"). The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

LITIGATION AND ARBITRATION

On 31 August 2021, the Group was informed that Hunan Huiyin Tianxing, as a fund manager in湖南匯垠眾益投資合夥企業(Hunan Huiyin Zhongyi Investment Partnership*), received a petition from China Construction Bank (Guangdong Province). Hunan Huiyin Tianxing is the second defendant and was requested to settle the bank trust fee amounting to around RMB1.5 million for its management fund overdue bank trust fee. The court will be extended to early of the year 2022. Hunan Huiyin Tianxing was still in the process of getting the legal advice for the contract arguments and no provision was made at the reporting date.

CAPITAL EXPENDITURES

During the year, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to HK$49,000 (2020: HK$54,000).

CAPITAL COMMITMENT

As at 31 December 2021 and 31 December 2020, the Group did not have any capital commitment.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 84 (2020: 149) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK$29,058,000 for the year ended 31 December 2021, as compared to approximately HK$44,017,000 for the corresponding period last year.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong, China and the provision of social insurances for employees who are employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares of the Company may be granted to the Directors and employees of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group did not have any plans for material investments during the year.

SIGNIFICANT INVESTMENT

On 13 January 2021, Hunan Huiyin Tianxing invested RMB20,000,000 through a partnership in Xingjiang Muge, being a company principally engaged in pig farming and food processing in the PRC.

Save as disclosed in this report, there were no significant investments held during the year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2021, the Company disposed of its 100% equity interest in a subsidiary, Hanbo Enterprises Limited ("Hanbo Enterprises"), and its subsidiaries to an independent third party at a consideration of HK$1.00. The principal activity of Hanbo Enterprises is trading of apparel products and provision of apparel supply chain management services. The subsidiaries disposed had no significant impact on the turnover and results of the Group.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year.

Management Discussion and Analysis

RISK MANAGEMENT

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit, liquidity and equity price in its major operation.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as income earned and expenses subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Credit Risk

The accounts receivables and loan receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's accounts receivables and loan receivables. Concentrations of credit risk are managed by customer and borrower.

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all trade accounts receivable and loan receivables.

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

Equity Price Risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as financial asset at fair value through profit or loss. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period. Management manages this exposure by assessing the risk associated with each individual investment and maintaining a portfolio of investments with different risks in the future if necessary.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 December 2021.

CHARGE ON THE GROUP'S ASSETS

No charges on the Group's assets was noted as at 31 December 2021.

DIVIDEND

The Board does not recommend the distribution of any dividends for the year ended 31 December 2021 (2020: nil).

FINANCIAL ASSISTANCE FROM SUBSTANTIAL SHAREHOLDER

Loan Agreement with Mr. Lai Leong

As at 31 December 2021, the loan agreements with Mr. Lai Leong (the "Loans") in totals amount was HK$23,100,000 and Mr. Lai Leong is deemed to be interested in 36.93% shareholding of the Company as at 31 December 2021, pursuant to which Mr. Lai Leong had agreed to provide the Loans to the Group at interest rate of 8% per annum with a term of 6 months. Mr. Lai Leong through his wholly-owned company, Plus Value International Limited, holds 177,300,000 Shares, representing 36.93% of the issued share capital of the Company and thus Mr. Lai Leong and Plus Value International Limited are the controlling Shareholders as at 31 December 2021 (For details, please refer to the "Charged Shares held by Plus Value International Limited" under the section headed "Report of the Directors" on Page 81 of this annual report).

Management Discussion and Analysis

Bond Subscription Agreement with Kapok Spirit Investment Limited

On 27 October 2017, the Company, as the issuer (the "Issuer"), entered into a subscription agreement (the "Subscription Agreement") with a company indirectly wholly-owned by 廣州產業投資基金管理有限公司 (Guangzhou Industrial Investment Fund Management Co., Ltd.*), a substantial Shareholder, as the subscriber (the "Subscriber"), in relation to the subscription of unsecured bond to be issued by the Company (the "Bond"). The issue of Bond constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bond in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bond. The maturity date of the Bond will be intended to extend upon maturity. The net proceeds from the issuance of the Bond are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

Bond Subscription Agreement with SFund International Investment Fund Management Limited

During the year, the Company, as the Issuer, entered into a subscription agreement (the "SFund Subscription Agreement") with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, as the subscriber, (the "Subscriber") in relation to the subscription of unsecured bond to be issued by the Company (the "SFund Bond"). Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the SFund Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe, for the SFund Bond in the principal amount of HK$9,000,000 with a coupon rate of 8% per annum payable at semi-annually in arrears for a term of 2 years from the date of issue of the SFund Bond. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company.

Loan Agreement with SFund International Investment Fund Management Limited

As at 31 December 2021, the loan agreements with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, pursuant to which SFund International Investment Fund Management Limited had agreed to provide the loan to the Company amounting to HK$30,000,000, at interest rate of 8% per annum with a term of 5 years. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company.

Loan Agreement with Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.

On 14 September 2020, the Group, through its 51% indirectly owned subsidiary, Hunan Huiyin Tianxing as the borrower, entered into a loan agreement with 廣州滙垠天粵股權投資基金管理有限公司(Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.*) as the lender (the "Lender"), pursuant to which the Lender agreed to provide to Hunan Huiyin Tianxing a loan in the principal amount of RMB50,000,000 (the "HT Loan") for a term of 12 months from the date of drawdown at the interest rate of 6% per annum which will be paid quarterly.

Management Discussion and Analysis

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

There had not been any other equity or debt fund raising activity conducted by the Group in the past twelve months.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into a loan agreement (the "CH Loan Agreement") with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK$40,000,000 (the "CH Loan") to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the CH Loan drawn down.

On 14 August 2018, Capital Strategic entered into a supplemental loan agreement with China-HK to, among other matters, extend the maturity date from 14 August 2018 to 14 February 2019. Other than the maturity date which had been extended to 14 February 2019 pursuant to the supplemental loan agreement, the principal terms of the CH Loan Agreement remains applicable to Capital Strategic and China-HK in connection with the CH Loan.

The CH Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司 (Changsanjiao Xuzhou Petroleum Technology Company Limited*) ("Changsanjiao Xuzhou Petroleum Technology"), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*) ("Yancheng Saifu Petroleum & Chemical"), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the CH Loan under the CH Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the CH Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the CH Loan are set out in the announcement of the Company dated 14 February 2018 and 14 August 2018. The CH Loan is still outstanding as at 31 December 2021.

Management Discussion and Analysis

Provision of Loan to an Entity Amounting to RMB28,000,000

On 12 March 2021, Hunan Huiyin Tianxing, as the lender, entered into a loan agreement (the "Loan Agreement") with Ruirong Real Estate, as the borrower, pursuant to which, Hunan Huiyin Tianxing would provide a loan of RMB28,000,000 (the "Loan") to Ruirong Real Estate for a term of 6 months from 12 March 2021, and could be further extended for another 6 months with written consent of Hunan Huiyin Tianxing (or any other date as may be agreed by Hunan Huiyin Tianxing and Ruirong Real Estate in writing). The loan is secured by i) the charge over the land use rights of the Land created by Ruirong Real Estate in favour of Hunan Huiyin Tianxing; and ii) an irrevocable joint and several guarantee executed by the Guarantors in favour of the Ruirong Real Estate. Further details of the transaction is set out in the Company's announcements dated 12 March 2021. The loan is still outstanding as at 31 December 2021.

Subsequent to the end of the reporting period, Ruirong Real Estate had repaid HK$22,084,000 of the loan to Hunan Huiyin Tianxing. The remaining outstanding loan balance was HK$12,269,000.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

EVENTS AFTER THE REPORTING PERIOD

After the outbreak of a respiratory illness caused by the COVID-19 coronavirus in early 2020 which was later characterised as a pandemic (the "Pandemic"), a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the Pandemic and evaluate its impact on the financial position and operating results of the Group in the future.

Except as disclosed elsewhere in this report, there is no material subsequent event untaken by the Group after 31 December 2021.

Biographies of Directors

DIRECTORS

Executive Directors

Mr. Li Qing, aged 45, was appointed as an Executive Director and the Chairman of the Board with effect from 15 January 2019. He is also a director of certain subsidiaries of the Company. Mr. Li graduated from the faculty of music in Minzu University of China（中央民族大學）in June 2001. He received a master's degree from the Musikakademie der Stadt Kassel in Germany in September 2004. Mr. Li has over 13 years of working experience in senior management roles in real estate investment and fund management. Mr. Li was the director and general manager of SFund International Investment Fund Management Limited which is a substantial shareholder of the Company till 2 March 2022 and an executive director of Magnus Concordia Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1172). Mr. Li worked as a deputy general manager and general manager of 連雲港市潤邦置業有限公司 (Lianyungang City Runbang Zhiye Company Limited*) from January 2008 to January 2013.

Mr. Lam Kwan Sing, aged 52, was appointed as an Executive Director, the Chief Executive Officer, the chairman of the Corporate Governance Committee of the Company and an authorized representative of the Company under Rule 3.05 of the Listing Rules with effect from 29 November 2016. He is also a director of certain subsidiaries of the Company. Mr. Lam has obtained a Bachelor of Arts in Accountancy degree from the City University of Hong Kong. He has over 23 years of working experience in the commercial and corporate finance field. He is currently an independent non-executive director of each of Aceso Life Science Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 474) and Summit Ascent Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 102). In addition, Mr. Lam is also a director of China Natural Resources Inc. (a company listed on NASDAQ) since 2003.

Mr. Yu Wenhao, aged 51, was appointed as an Executive Director of the Company with effect from 15 October 2020. Mr. Yu graduated from 長沙交通學院 (Changsha Communications University*) with a bachelor's degree in Finance in 1993 and obtained his master's degree in Business Administration for Senior Management from 華南理工大學 (South China University of Technology*) in 2011. Mr. Yu is an Intermediate Economist and possesses the qualification certificate of Assistant Accountant. He has over 11 years of working experience in finance and fund management. Mr. Yu is currently the deputy general manager of 廣州匯垠天粵股權投資基金管理有限公司 (Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.*), a parent company of SFund International Investment Fund Management Limited (a substantial shareholder of the Company) and a director of 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd.*) ("Hunan Huiyin Tianxing"), which is a 51%-owned subsidiary of the Company. He is also the legal representative of a wholly owned subsidiary of Hunan Huiyin Tianxing. From 2016 to 2019, he was the chairman of Hunan Huiyin Tianxing.

Ms. Wang Mengsu, aged 34, was appointed as an Executive Director of the Company with effect from 15 January 2019. She is also a director of certain subsidiaries of the Company. Ms. Wang graduated from the Hong Kong Shue Yan University with a degree of Bachelor of Business Administration. Ms. Wang has over 10 years of working experience in investment and fund management. Ms. Wang is currently the assistant general manager and investment director of SFund International Investment Fund Management Limited which is a substantial shareholder of the Company.

Biographies of Directors

Mr. Lin Qiansheng, aged 48, was appointed as an Executive Director of the Company with effect from 15 October 2020. He is also a director of Billion Unison Limited (a wholly owned subsidiary of the Company). Mr. Lin graduated from 廣東外語外貿大學 (Guangdong University of Foreign Studies, China*) with a bachelor's degree in Accounting in 1996 and obtained his Master of Business Administration from Concordia University, Canada in 2002. Mr. Lin is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and possesses the qualification certificate of the American Institute of Certified Public Accountants. He has over 16 years of working experience in acting as chief financial officer of multinational and listed company. He is currently the chief financial officer of SFund International Investment Fund Management Limited (a substantial shareholder of the Company). Mr. Lin possesses international vision and comprehensive knowledge in investment and fund management.

Mr. Hon Ming Sang, aged 43, was appointed as an Executive Director and a member of the Corporate Governance Committee of the Company on 7 February 2017. Mr. Hon was appointed as the Company Secretary, Authorised Representative of the Company under Rule 3.05 of the Listing Rules and the Process Agent of the Company on 7 July 2017. He is also a director of certain subsidiaries of the Company. Mr. Hon obtained an honor degree of Professional Accountancy in the School of Accountancy from The Chinese University of Hong Kong. He is a CFA charterholder, a member of The Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute. Mr. Hon has previously worked in an international audit firm and has over 13 years of working experience in listed companies and financial institutions. He has extensive experience in corporate finance, merger and acquisition, investment and financial management and compliance services. Mr. Hon has been an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1520). Mr. Hon has been an independent non-executive director of Finsoft Financial Investment Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8018) since June 2020. He is also an independent non-executive director of Asia Energy Logistics Group Limited (a company listed on the Main Board of Stock Exchange, stock code: 351) since November 2020.

Independent Non-executive Directors

Mr. Fok Ho Yin, Thomas, aged 50, was appointed as an Independent Non-executive Director, the chairman of each of the Audit Committee, Remuneration Committee and the Nomination Committee of the Company and a member of the Corporate Governance Committee of the Company with effect from 29 November 2016. Mr. Fok has extensive experience in the field of corporate finance and, in particular, in equity financing and financial restructuring. Mr. Fok is member of the CPA Australia. He is also a Chartered Financial Analyst. Mr. Fok is currently an independent non-executive director of DaFa Properties Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 6111). Mr. Fok was also an independent non-executive director of each of Landing International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 582) from 11 June 2010 to 27 June 2019 and China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) from 31 August 2007 to 10 June 2020.

Biographies of Directors

Mr. Chan Wai Cheung, Admiral, aged 48, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and Corporate Governance Committee of the Company with effect from 29 November 2016. He holds a Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in accounting and auditing fields. Mr. Chan is currently an executive director of Energy International Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 353), an independent non-executive of each of Zhong Ao Home Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1538) and China Water Affairs Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 855). He was an independent non-executive director of each of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 996) from 10 December 2014 to 30 April 2019 and Century Energy International Holdings Limited (formerly known as China Oil Gangran Energy Group Holdings Limited, a company listed on the GEM of the Stock Exchange, stock code: 8132) from 5 March 2020 to 4 August 2021 and he also was a non-executive director of China Nonferrous Metals Company Limited (a company previously listed on the GEM of the Stock Exchange, stock code: 8306) from 1 June 2015 to 31 May 2019.

Mr. Lam Ho Pong, aged 36, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company with effect from 7 February 2017. He graduated from the City University of Hong Kong with a degree in Bachelor of Business Administration (Honours) in Accountancy. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in accounting and auditing fields. Mr. Lam was an executive director of Finsoft Financial Investment Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8018) from 5 December 2019 to 31 July 2020.

Corporate Governance Report

The Board is please to present the corporate governance report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The Company has complied with all the Code Provisions of the CG Code during the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, each Director has confirmed that they have complied with the required standard set out in the Model Code throughout the year.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of legal actions against the Directors and senior management arising out from corporate activities.

Corporate Governance Report

BOARD OF DIRECTORS

Board Composition

During the year and up to the date of this annual report, the Board comprises the following Directors:

Executive Directors
Mr. Li Qing *(Chairman)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Yu Wenhao
Ms. Wang Mengsu
Mr. Lin Qiansheng
Mr. Hon Ming Sang

Independent Non-executive Directors
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

An updated list of Directors identifying their roles and functions has been published on the websites of the Company and the Stock Exchange, and the Independent Non-executive Directors have been identified in all corporate communications that disclose the names of Directors. The biographies of the Directors are set out on pages 29 to 31 of this annual report.

Directors' Attendance Record

The Company held forty-three Board meetings and one annual general meeting ("AGM") and nil extraordinary general meetings ("EGM") throughout the year. During the year, the Chairman held a meeting with the Independent Non-executive Directors without the presence of other Directors.

The attendance record of individual Directors are set out as follows:

	Attendance/Number of meetings		
	Board Meetings	**AGM**	**EGM**
Executive Directors			
Mr. Li Qing *(Chairman)*	43/43	1/1	0/0
Mr. Lam Kwan Sing *(Chief Executive Officer)*	43/43	1/1	0/0
Mr. Yu Wenhao	43/43	1/1	0/0
Ms. Wang Mengsu	43/43	1/1	0/0
Mr. Lin Qiansheng	43/43	1/1	0/0
Mr. Hon Ming Sang	43/43	1/1	0/0
Independent Non-executive Directors			
Mr. Fok Ho Yin, Thomas	43/43	1/1	0/0
Mr. Chan Wai Cheung, Admiral	43/43	1/1	0/0
Mr. Lam Ho Pong	43/43	1/1	0/0

Corporate Governance Report

DUTIES OF THE BOARD AND MANAGEMENT

Duties of the Board

The Board, led by the Chairman of the Board, is responsible for leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The Board has delegated to the management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

Delegation of Management Functions

The Board reserved for its decision for all major matters of the Company, including: approving and monitoring all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Daily management and administration functions were delegated to the management. The Board has delegated various responsibilities to the management of the Company. These responsibilities include implementing decisions of the Board, directing and co-ordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operation and production plans and budgets, and supervising and monitoring the internal control systems.

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors. All of them have appropriate professional qualifications or accounting or related financial management expertise.

Save as otherwise disclosed in this annual report, the Board members have no financial, business, family or other material/relevant relationships with each other. All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, making decisions objectively and acting in the interests of the Company and its shareholders at all times.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Li Qing, the chairman, has provided leadership for the Board and ensures that the Board works effectively and that all important issues are discussed in a timely manner.

Mr. Lam Kwan Sing, the Chief Executive Officer of the Company, is responsible for managing the Group's day-to-day businesses and implementing major strategies and policies of the Group. The positions of the Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of Shareholders.

The Independent Non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company (the "Articles").

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from each of Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong, being the Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each Director has entered into a letter of appointment with the Company with an initial term of 3 years commencing from the date of appointment and is subject to the re-appointment in accordance with the Articles.

In accordance with the Articles, the Directors appointed to fill a casual vacancy on the Board shall be subject to re-election by Shareholders at the first general meeting after their appointments and any Directors appointed by the Board as an addition to the existing Board shall then be eligible for re-election at the next following annual general meeting. Every Directors (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. At each annual general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation 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.

In accordance with Article 84(1) of the Articles, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

In accordance with Article 84(2) of the Articles, Mr. Lam Kwan Sing has informed the Company that he will retire after the conclusion of the forthcoming AGM and will not stand for re-election.

Corporate Governance Report

BOARD MEETINGS

Regular Board meetings are held at least four times a year at approximately quarterly intervals. Any Director who is not able to present physically may participate at any Board meeting through electronic means of communication, such as conference telephone, electronic or other communication equipment, in accordance with the Bye-laws.

At least 14 days' notice for all regular Board meetings will be given to all Directors and they must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

Minutes of the Board meetings and the meetings of the Board committees are recorded in sufficient details. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director. Directors may obtain independent professional advice under appropriate circumstances and as and when necessary at the Company's expense, ensuring that Board procedures and all applicable rules and regulations are followed. If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter must be dealt with by a physical Board meeting with the Independent Non-executive Directors present at the meeting rather than by written resolutions.

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the CG Code, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge, skills and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant regulations, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the rules and regulations from time to time.

According to the confirmation/records provided by the Directors, all the Directors have participated in the continuous professional developments in the following manners during the year ended 31 December 2021:

	Attending or participating in seminars/in-house briefing or reading materials relevant to the Company's business/ director's duties
Executive Directors	
Mr. Li Qing *(Chairman)*	✓
Mr. Lam Kwan Sing *(Chief Executive Officer)*	✓
Mr. Yu Wenhao	✓
Ms. Wang Mengsu	✓
Mr. Lin Qiansheng	✓
Mr. Hon Ming Sang	✓
Independent Non-executive Directors	
Mr. Fok Ho Yin, Thomas	✓
Mr. Chan Wai Cheung, Admiral	✓
Mr. Lam Ho Pong	✓

Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

BOARD COMMITTEES

Audit Committee

The Board established the Audit Committee with written terms of reference on 20 June 2014 and amended on 30 December 2015 and 16 April 2019 respectively. The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

None of the Audit Committee members is or has been a former partner of the Company's existing external auditor for the past two years. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange. The main duties of the Audit Committee are as follows:

(a) to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(d) to review the financial controls, risk management and internal control systems of the Company; and

(e) to discuss the risk management and the internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function) with management to ensure that the management has performed its duty to have effective systems.

The Audit Committee shall meet at least twice a year. During the year, the Audit Committee convened three meetings and the attendance records of individual committee members are as follows:

Members	**Attendance/ Number of Board Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Audit Committee)*	3/3
Mr. Chan Wai Cheung, Admiral	3/3
Mr. Lam Ho Pong	3/3

During the year, the Audit Committee performed the following work:

(i) reviewed the annual and interim financial statements, reports, and results announcement of the Group prior to publication;

(ii) reviewed the Group's risk management and internal control systems; and

(iii) after due consideration, made recommendations in respect of above reviews to the Board for approval.

The Audit Committee had, amongst other things, reviewed the audited results of the Group for the year and this report.

Nomination Committee

The Board established the Nomination Committee with written terms of reference on 20 June 2014 and amended on 16 April 2019 respectively. The Nomination Committee consists of three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange. The main duties of the Nomination Committee are as follows:

(a) to review the structure, size, diversity and composition of the Board (including but not limited to gender, age, cultural and educational background, skills, professional qualifications, knowledge and experience) at least annually and make recommendations to the Board regarding any proposed changes to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships with due regard for the benefits of diversity on the Board;

(c) to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors of the Company in particular the chairman and the chief executive officer of the Company;

(d) to assess the independence of independent non-executive directors of the Company; and

(e) to review the policies on both the board diversity policy and nomination policy, as appropriate; and review the measurable objectives that the Board had set for implementing the board diversity policy, and the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report annually.

The Nomination Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

The Nomination Committee shall meet at least once a year. During the year, the Nomination Committee convened one meeting and the attendance records of individual committee members are as follows:

Members	**Attendance/ Number of Board Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Nomination Committee)*	1/1
Mr. Chan Wai Cheung, Admiral	1/1
Mr. Lam Ho Pong	1/1

During the year, the Nomination Committee performed the following work:

(i) reviewed the structure, size and composition of the Board with reference to the Company's board diversity policy;

(ii) reviewed the proposed re-election of the retiring Directors at the AGM held on 1 June 2021;

(iii) reviewed the confirmations of independence from the Independent Non-executive Directors; and

(v) after due consideration, made recommendations in respect of above reviews to the Board for approval.

Nomination Policy

The Board has established a set of nomination policy setting out the approach to nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies. The criteria of nomination have been considered from a number of aspects, including but not limited to, skills, experience, qualifications and aspects as detailed in the board diversity policy.

Corporate Governance Report

During this year, the Company reviewed its nomination policy for a formal, considered and transparent procedure to help identifying and nomination of candidates for Directors. All valid nomination of candidates, accompanied with biographical details, would be presented to the Board for consideration. Consideration would be given to factors such as the candidate's integrity, experience and qualifications relevant to the Group's business. It is believed that members of the Nomination Committee collectively would have required relevant knowledge and skills to identify, invite and evaluate qualifications of nominated candidates for directorship.

The process of our appointment and re-election of Directors are as follows:

Potential new Directors are identified and considered for appointment at any time by the Board upon the recommendation of the Nomination Committee. Nomination Committee considers the candidates based on merit having regard to the knowledge, experience, skills and expertise as well as the overall board diversity which, in the opinion of the Directors, will enable them to make positive contributions on the performance of the Board and makes recommendations to the Board as appropriate. Emoluments of new Directors will be considered by the Remuneration Committee.

Newly appointed members by the Board to fill a casual vacancy on the Board is subject to re-election by Shareholders at the first general meeting after their appointment or as addition to the existing Board is subject to re-election by Shareholders at the first annual general meeting after their appointment. Every Directors shall be subject to retirement at annual general meeting at least once every three years.

Board Diversity Policy

The Company continuously seeks to enhance the effectiveness of the Board and to maintain a high standard of corporate governance and recognises and embraces the benefits of diversity in the composition of the Board.

In December 2016, the Company has adopted a board diversity policy which was update in December 2018 (the "Board Diversity Policy") for compliance with the Code Provision of the Listing Rules concerning the diversity of Board members. A summary of the Board Diversity Policy, together with the measureable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. In forming its perspective on diversity, the Company will also take into account of factors based on its own business model and specific needs from time to time.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. Also, the Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises nine Directors. Three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by diversity, whether considered in terms of age, experience, cultural, skills and knowledge and educational background.

The Nomination Committee will continue to review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Remuneration Committee

The Board established the Remuneration Committee with written terms of reference on 20 June 2014 and amended on 16 April 2019. The Remuneration Committee consists of three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange. The main duties of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(c) to ensure that no director of the Company or any of his or her associates is involved in deciding his or her own remuneration.

The Remuneration Committee shall meet at least once a year. During the year, the Remuneration Committee convened two meetings and the attendance records of individual committee members are as follows:

Members	**Attendance/ Number of Board Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Remuneration Committee)*	2/2
Mr. Chan Wai Cheung, Admiral	2/2
Mr. Lam Ho Pong	2/2

During the year, the Remuneration Committee performed the following work:

(i) reviewed the performance of the Directors and senior management, and made recommendations as to their discretionary bonus and remuneration package;

(ii) reviewed the remuneration policy and annual bonus policy; and

(iii) after due consideration, made recommendations in respect of above reviews to the Board for approval.

Remuneration of the Senior Management

Pursuant to Code Provision E.1.5 of the CG code, the remuneration of the Senior Management by band for the year ended 31 December 2021 and the Board of Directors are counted as Senior Management and, is set out as below:

Band of remuneration (HK$)	**No. of person** **2021**	2020
HK$1,000,000 and below	**5**	4
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**0**	0
Over HK$2,000,000	**0**	1

Further details of the remuneration of Directors and five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 and 11 respectively to the financial statements.

Corporate Governance Committee

The Board is responsible for ensuring that the Company shall establish comprehensive corporate governance practices and procedures during the year. The Board established the Corporate Governance Committee with written terms of reference on 20 June 2014 and amended on 16 April 2019 respectively. The Corporate Governance Committee consists of two Executive Directors, namely Mr. Lam Kwan Sing (as chairman) and Mr. Hon Ming Sang; and three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The main duties of the Corporate Governance Committee are as follows:

(a) developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) reviewing the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

During the year, the Corporate Governance Committee convened one meetings and the attendance records of individual committee members are as follows:

Members	Attendance/ Number of Board Meetings
Mr. Lam Kwan Sing *(Chairman of the Corporate Governance Committee)*	1/1
Mr. Hon Ming Sang	1/1
Mr. Fok Ho Yin, Thomas	1/1
Mr. Chan Wai Cheung, Admiral	1/1
Mr. Lam Ho Pong	1/1

During the year, the Corporate Governance Committee performed the following work:

(i) reviewed and monitored the policies and practices of the Group on corporate governance;

(ii) approved the Corporate Governance Report and the Environmental, Social and Governance Report of the previous reporting year;

(iii) reviewed and monitored the training and continuous professional development of Directors; and

(iv) after due consideration, made recommendations in respect of above reviews to the Board for approval.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing of the consolidated financial statements of the Group for the year ended 31 December 2021, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditors of the Company, ZHONGHUI ANDA CPA Limited (the "Auditors"), about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 85 to 86.

As disclosed in the Independent Auditor's Report, the Auditors issued a disclaimer of opinion (the "Disclaimer of Opinion") on the consolidated financial statements of the Group for the year ended 31 December 2021. Set out below is the paragraph headed "Basis for Disclaimer of Opinion" as disclosed in the Independent Auditor's Report:–

"We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of HK$41,839,000 and HK$77,546,000 respectively for two consecutive years of year ended 31 December 2021 and 2020 and as at 31 December 2021 the Group had net current liabilities and net liabilities of HK$238,127,000 and HK$246,463,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Corporate Governance Report

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. The consolidated financial statements do not include any adjustments that would result from the failure to complete the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. We consider that the material uncertainties have been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

During the course of audit of the consolidated financial statement of the Company for the year ended 31 December 2021, the Auditors had raised concern on the Group's ability to operate as a going concern. In order to address this concern, the Company has, among other things, taken the following steps:–

(i) The Group has been urging its customers of the financial services segment to settle the loan. Subsequent to the end of the reporting period, the Company received HK$22 million from a customer and was used to settle the other borrowings of the Groups.

(ii) The Company has received a letter of intent from Kapok Spirit to extend the maturity date of the outstanding bond payable of HK$80 million.

Based on the above, and in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to raise funds by issuing of securities in future. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern.

Despite the effort by the Company to address the concern, the Auditors issued the Disclaimer of Opinion as they cast doubt on the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. The management of the Company (the "Management") has considered the Auditors' rationale and understood their consideration in arriving their opinion.

In order to address the Disclaimer of Opinion, the Company will continue to take the following steps to improve the Group's working capital and cash flow position and mitigate its liquidity pressure:–

(i) Possible settlement of bond payable and shareholder's loans by way of capitalisation

As at 31 December 2021, the bond payable amounted to HK$80 million which shall be due within twelve months from 31 December 2021 was held by Kapok Spirit.

As regards the bond held by Kapok Spirit, the Company intends to negotiate with Kapok Spirit and SFund Investment Fund on the Possible Capitalisation. It is expected that the Company would be able to improve the financial position and reduce the finance costs if the Possible Capitalisation is materialised.

(ii) Possible issue of new securities

The Company intends to raise funds by issuing new securities. As at the date of this report, the Group has not yet entered into any understanding, arrangement or agreement about the aforesaid plan. The fund raising activity is subjected to the approval from the Stock Exchange and market conditions. The Company intends to use such proceeds for the potential acquisition, expansion of the Group's business and/or as working capital of the Group.

(iii) Income generating and cost saving measures

In order to improve financial performance and operating efficiency, the Group has, among others, been implemented a number of income-generating and cost-saving measures:–

(a) Expansion on financial services business

On 14 September 2020, Hunan Huiyin Tianxing secured a loan of RMB50 million from major shareholders of the Company for investing in high-quality projects domestically. On 13 January 2021, Hunan Huiyin Tianxing invested RMB20,000,000 through a partnership in Xingjiang Muge, being a company principally engaged in pig farming and food processing in the PRC. On 12 March 2021, Hunan Huiyin Tianxing provided a loan of RMB28,000,000 to Ruirong Real Estate, which is a company principally engaged in real estate development and operation, sale and leasing of housing and sale of building materials in the PRC. For details, please refer to the announcements of the Company dated 14 September 2020, 13 January 2021 and 12 March 2021.

Hunan Huiyin Tianxing will continue to cooperate with financial institutions and industry leaders to explore investment opportunities in equity and debt projects in order to expand the financial business of the Group.

The Group will continue to expand its financial services segment by applying for necessary licenses to conduct regulated activities, acquiring licensed corporations engaged in regulated activities, acquiring interests in companies or projects with good potential and prospects or establishing funds to invest in such companies or projects.

(b) Acquiring high-quality underlying assets

The Group continues to seek for high-quality underlying assets in both domestic and overseas markets and has negotiated with a number of target companies about acquisition proposals successively. We will continue to identify companies or projects with good potential and prospects to expand the business of the Group.

(c) Cost-saving/reduction

The Company plans to dispose certain subsidiaries with minimal or nil revenue in past years to save staff costs. It is expected that the Group would be able to reduce certain administrative expenses in the current financial year.

In light of the above, the Board is confident that the Disclaimer of Opinion would be removed for the financial year ending 31 December 2022.

The members of the audit committee of the Company (the "Audit Committee") had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Company for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management's position based on the reasons above. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Company, and considered the Auditors' rationale and understood their consideration in arriving their opinion.

AUDITOR'S REMUNERATION

The fees paid or payable to the auditor of the Company for the year ended 31 December 2021 are set out as follows:

	Fees paid/ payable HK$'000
Audit service	1,380

RISK MANAGEMENT AND INTERNAL CONTROLS

A sound and effective risk management and internal control systems is important to safeguard the Shareholders' investment and the Group's assets. The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk associated in failing to achieve certain business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The process used by the Group to identify, evaluate and manage significant risks are twofold:

Internally, the Corporate Governance Committee closely monitors the effectiveness of the Group's risk management and internal control systems and reports to the Board regularly. The Corporate Governance Committee shall report to the Board immediately once any non-compliance issues are noted.

Externally, the Company engages an independent external assurance provider to perform the internal audit function, who is responsible for carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

For the year ended 31 December 2021, the Board conducted an annual review of its risk management and internal control systems and reviewed the reports issued by the independent external assurance provider. The annual review considered the adequacy of resources, staff qualifications and experience etc. of the Group's accounting, internal audit and financial reporting functions. The main features of the Group's risk management and internal control systems include financial, operational and compliance controls.

The Board is of the view that the Group's risk management and internal control systems are effective and adequate. The Board will continue to assess the effectiveness of its risk management and internal control systems by considering reviews and recommendations made by the Corporate Governance Committee and senior management.

COMPANY SECRETARY

Mr. Hon Ming Sang was appointed as the Company Secretary of the Company with effect from 7 July 2017. During the year, Mr. Hon Ming Sang have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

INVESTOR RELATIONS

Communication With Shareholders

The Board recognised the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognised that effective communication with the Company's investors is critical in establishing investor confidence and to attract new investors. Therefore, the Shareholders' Communication Policy of the Company is committed to maintaining a high degree of transparency to ensure the Shareholders and the investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the website of the Company.

In respect of each matter to be considered at the annual general meetings and extraordinary general meetings, including the re-election of Directors, a separate resolution will be proposed by the Chairman of the Board. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

Members of the Board and Chairmen of various Board Committees will attend the forthcoming annual general meeting of the Company to be held on Monday, 20 June 2022 at 2:30 p.m. (the "AGM") to answer questions raised by the Shareholders. The Company will invite representatives of the auditor to attend the AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles.

The summary of certain rights of the Shareholders are disclosed below:

Procedures for Convening Extraordinary General Meetings and Putting Forward Proposals at General Meetings

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (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.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the Company Secretary at the Company's principal place of business in Hong Kong, China at Suites 904-5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The requisitionist(s) must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionist(s). Upon receipt, the Company will verify the particulars of requisitionist(s) and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles.

Procedures for Shareholders to Propose a Person for Election as a Director

The Articles published on the websites of the Company and the Stock Exchange and the "procedures for shareholders to propose a person for election as a director of the Company" on the website of the Company.

Procedures for Directing Shareholders' Enquiries to the Board and Company's Contact Details

Shareholders and other stakeholders may send their enquiries, concerns and requisitions to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong, China at Suites 904-5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

DIVIDEND POLICY

The Company has adopted a dividend policy setting out the principles and guidelines in relation to declaration, payment or distribution of its net profits as dividends to the shareholders. The distribution of dividend will be considered and determined by the Board based on the Group's operating results, cash flow, financial position, business prospects, and statutory and regulatory restrictions relating to dividend distributions as well as other factors that the Board considers appropriate.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, there was no change in the Company's constitutional documents. The Articles and the memorandum of association of the Company are available on the Company's website and on the website of the Stock Exchange.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong;

- the Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved. Inside information is restricted to relevant parties on a need-to-know basis so as to ensure confidentiality;

- the Group strictly prohibits unauthorised use of confidential or inside information;

- the Group has also implemented procedures to guard against possible mishandling of inside information within the Group including notification of regular blackout period and securities dealing restrictions to Directors and relevant employees; and

- the Group keeps the Directors and employees appraised of the latest regulatory updates on disclosure requirements of inside information.

Environmental, Social and Governance Report

OVERVIEW

The board of directors (the "Board") of SFund International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "we") is pleased to present this Environmental, Social and Governance ("ESG") Report (the "ESG Report"). The Group adheres to the management policies of sustainable ESG development and is committed to handling the Group's ESG matters effectively and responsibly, which it believes are of great significance for its business and operations.

REPORTING SCOPE

The reporting scope is determined based on the materiality and revenue contribution of the business segments under the Group's direct operational control. Unless otherwise stated, the ESG key performance indicators ("KPIs") data is reported on the basis of the same policies as the financial statements. Thus, the ESG Report covers the overall performance, risks, strategies, measures and commitment in five areas, namely, corporate governance, environmental protection, employment practice, operating practice and community investment of the Group's major operations in Hong Kong, China and Mainland China, and expanded its scope to also cover operations in Macau, China and Cambodia. The Group has excluded operations that were disposed during the year ended 31 December 2021.

The Group will continue to expand the scope of disclosure in the future when the data collection system of the Group is more refined and the sustainable development work is enhanced.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in the Appendix 27 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 32 to 49 of this report.

During the preparation for this ESG Report, the Group has applied the reporting principles in the ESG Reporting Guide as follow:

Materiality: Materiality assessment was conducted to identify material issues during the year ended 31 December 2021, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board and senior management. For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes.

Consistency: As mentioned in the section headed "Reporting Scope", the Group has extended its reporting scope to cover operations in Macau, China and Cambodia, and has excluded operations that were disposed during the year ended 31 December 2021. Unless otherwise stated, the preparation approach of this ESG Report is consistent with the previous year for comparison. If there are any other changes in the scope of disclosure and calculation methodologies that may affect comparison with previous reports, explanations will be provided to the corresponding data.

Balance: This ESG Report has provided an unbiased picture of the Group's performance. It avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the reader.

REPORTING PERIOD

The ESG Report specifics the ESG activities, challenges and measures being taken during the year ended 31 December 2021.

ESG GOVERNANCE STRUCTURE

The Board holds the overall responsibility for the Group's ESG issues and sets out ESG management approach, strategy, priorities and objectives. To identify and prioritise major ESG issues that have a significant impact on the Group's operations and stakeholders, the Group continuously communicates with internal and external stakeholders. In order to better manage the Group's ESG performance, related issues and potential risks, the Board regularly evaluates and determines ESG-related risks and opportunities of the Group. The Group has also decided to set environmental targets covering aspects of energy conservation, emission reduction and waste management, with the aim to align with the national vision of carbon neutrality and enhance corporate reputation. The Board and management are responsible to review the Group's performance against ESG-related targets, and the Board is also responsible for ensuring the effectiveness of the Group's risk management and internal control systems and approving disclosures in the ESG Report.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and ESG issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, shareholders and investors, customers, suppliers and government through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and ESG 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.

Stakeholders and engagement methods

Stakeholders	Interests and concerns	Engagement channels
Shareholders and Investors	• Return on investment and dividends • Corporate strategy and governance • Risk mitigation and management	• Annual general meeting • Interim and annual reports, corporate websites • Announcements, notices of meetings, circulars
Customers	• Legal and high-quality products/services • Information transparency • Business ethics and integrity	• Group websites, brochures, annual reports and announcements • Email and customer service hotline • Regular meetings
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and well-being	• In-house training programmes • Performance reviews and appraisals • Promote career development and enhance competence at all levels
Suppliers	• Long-term partnership • Ethical business practices • Supplier assessment criteria	• Procurement processes • Audits and assessments
Government	• Laws and regulation compliance	• Review latest laws and regularly inspection

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions of stakeholders through different forms more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of materiality, quantification, balance and consistency, in order to define the content of the ESG Report and presentation of the information that is more in line with the expectations of stakeholders.

Environmental, Social and Governance Report

Materiality Assessment

The management and employees that perform major functions in the Group have participated in preparing the ESG Report to assist the Group in reviewing its operation, identifying relevant ESG matters, and assessing the importance of such relevant matters to its business and stakeholders. Information was collected from relevant departments and business units of the Group based on the major ESG matters that had been assessed.

During the year ended 31 December 2021, the Group confirmed that appropriate and effective management policies and control systems for ESG matters have been established and that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide. The Group is committed to implementing the environmental policies and safety assessments in business processes comprehensively, through continuously improving its management systems and measures, aiming to minimise the impact on the environment and to achieve zero employee fatalities in business processes.

The following table summarises the Group's significant ESG issues as set out in this ESG Report:

ESG material topics		Importance of related material topics		
		High	Medium	Low
1.	Air emissions		✔	
2.	Greenhouse gas ("GHG") emissions		✔	
3.	Wastewater and waste management		✔	
4.	Energy consumption			✔
5.	Water consumption		✔	
6.	Climate change mitigation and adaptation			✔
7.	Environmental impact management		✔	
8.	Employee benefits and equal opportunities		✔	
9.	Occupational health and safety		✔	
10.	Staff development and training		✔	
11.	Prevention of child labour or forced labour			✔
12.	Environmental and social risk management of supply chain		✔	
13.	Quality and safety of products and services		✔	
14.	Protection of client privacy		✔	
15.	Intellectual property management		✔	
16.	Prevention of corruption and fraud		✔	
17.	Contributions to society			✔

Environmental, Social and Governance Report

During the year ended 31 December 2021, the Group confirmed that appropriate and effective management policies and internal control systems for ESG 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 stakeholders. You may provide comments on ESG Report or towards the Group's performance in respect of sustainable development at info@1367HK.com.

A. ENVIRONMENTAL

A1. Emissions

The core businesses of the Group, which mainly involves (i) the trading of apparel products and provision of apparel supply chain management services; (ii) the provision of financial services; (iii) the money lending business; and (iv) securities investment, 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 2021, the Group and its offices did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for GHG emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimise 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, the Group mainly focused on the environmental impact of the offices and relevant measures to be taken during the daily operation and has formulated policies and procedures relating to the environmental management to govern limited GHG emissions and non-hazardous waste generated from its operation.

Waste management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by its business activities. The Group's 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 waste disposal intensity was approximately 0.02 tonnes/employee during the year ended 31 December 2021. This was due to the change of the reporting scope. During the year ended 31 December 2021, the disposal amount by the Group is shown as below:

Types of wastes	Unit	2021
Total non-hazardous wastes		
• Paper	tonnes	1.09
Total non-hazardous wastes intensity[1]	tonnes/employee	0.02

Note:

1. As at 31 December 2021, the Group had a total of 69 employees. The data are also used for calculating other intensity data.

The Group aims to host related waste reduction campaigns to raise employee awareness on waste reduction in 2022. The Group regularly monitors the consumption volume of paper, toner cartridges and ink cartridges and has implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged its 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 offices have 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. Therefore, no hazardous wastes targets are set for the Group.

GHG emissions

The consumption of electricity at the offices and petrol and diesel by vehicles are the largest sources of GHG emissions of the Group. The GHG emissions intensity was approximately 1.06 tCO_2e/employee during the year ended 31 December 2021. This was due to the change of the reporting scope. The detailed summary of the GHG emissions is shown as below:

Indicator[2]	**Unit**	**2021**
Scope 1 – Direct GHG emissions		
• Petrol and diesel consumption by vehicles	tCO_2e	15.69
Scope 2 – Energy indirect GHG emissions		
• Purchased electricity	tCO_2e	52.01
Scope 3 – Other indirect GHG emissions		
• Paper disposal	tCO_2e	5.21
Total GHG emissions (Scope 1, 2 and 3)	tCO_2e	72.91
Total GHG emissions intensity	tCO_2e/employee	1.06

Note:

2. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the Mainland China grid emission factor in "2019 Baseline Emission Factors for Regional Power Grids in China" (using a CM method with 50/50 average of OM & BM), "IGES List of Grid Emission Factors" issued by Institute for Global Environmental Strategies, "Sustainability Report 2020" released by Companhia de Electricidade de Macau – CEM, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, "2021 Sustainability Report" released by the CLP Power Hong Kong Limited and the "Sustainability Report 2021" released by HK Electric.

The Group aims to host related environmental campaigns, such as training and seminars, to raise employee awareness on GHG emissions reduction in 2022. The Group has implemented a number of measures to mitigate energy consumption such as turning off the 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 offices, etc.

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, the Group assesses whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimise 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.

The Group has complied with relevant environmental laws and regulations, including but not limited to Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention, Control of Air Pollution and Environmental Protection Law of Solid Waste Pollution of the People's Republic of China, Air Pollution Ordinance of Hong Kong, Environmental Law of Macau, and Law on Environmental Pollution and Natural Resource Management of Cambodia. During the year ended 31 December 2021, the Group was not aware of any material non-compliance with laws and regulations relating to the air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

Due to the Group's business nature, it does not generate significant amount of exhaust gas.

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 accounts for a substantial part of the carbon emission for the Group.

The energy consumption intensity was approximately 2,475.03 kWh/employee during the year ended 31 December 2021. This was due to the change of the reporting scope. During the year ended 31 December 2021, the Group's consumption in diesel, petrol and electricity were:

Types of energy	**Unit**	**2021**
Direct energy consumption[3]		
• Petrol	kWh	32,690.89
• Diesel	kWh	27,189.53
Indirect energy consumption		
• Purchased electricity	kWh	110,896.80
Total energy consumption	kWh	170,777.22
Total energy consumption intensity	kWh/employee	2,475.03

Note:

3. Conversion is based on "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

The Group aims to participate in related energy-saving campaigns, such as participating in Earth Hour, to raise employee awareness on energy reduction in 2022. On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilise telephone or video conference to minimise 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

The Group does not consume significant water in its business activities. The Group's water consumption was approximately 93.30 cubic meters, with an intensity of 1.35 cubic meters/employee during the year ended 31 December 2021[4]. The Group's water consumption is mainly for domestic use in the office area. Due to the geographical location of the Group's operations, the Group does not have any issues in sourcing water that is fit for purpose. The Group aims to host related water-saving campaigns, such as training and seminars, to raise employee awareness of water conservation. The Group will continue to promote behavioural 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. Therefore, this disclosure is not applicable to the Group.

Note:

4. The above water consumption amount has only included offices in the Mainland China and Macau, China offices, related data are not available in Hong Kong, China and Cambodia offices due to the inclusion in the management fee.

A3. The Environment and Natural Resources

Environmental impact management

The Group pursues the best practices in environmental 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, the Group adopts green purchasing strategies and the most practical technologies to protect natural resources.

Noise Pollution

Noise pollution practices are implemented during its construction activities, in order to minimise the noise pollution. Programs are produced in the studios with good soundproof facilities.

Outdoor lightings

During outdoor constructions, 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 construction, 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.

A4. Climate Change

Climate change mitigation and adoption

Climate change poses escalating risks and challenges to the global economy, and such risks may negatively impact the Group's business. As a result, the Group is aware of the importance of identifying and mitigating any major impacts caused by climate change. The Group has integrated climate risks into its enterprise risk management process to manage and review climate-related risks and seize relevant opportunities.

In terms of physical risks, the increasing frequency and severity of extreme weather events such as extreme cold or extreme heat, storms, rainstorms and typhoons, could lead to an increased risk of power shortages, interrupt the supply chain and damage the Group's assets, disrupting the operation of the Group's offices and resulting in reduced revenue, as well as increasing the cost of repairing or restoring damaged sites. These events could also disrupt the work of employees and even cause casualties. As a countermeasure, the Group has formulated a Business Continuity Plan for emergencies so that loss can be reduced or avoided when extreme weather events affect the Group's operating sites. The Group will identify these risks and prioritise those that may have a significant impact to take precautionary measures in the first place. At the same time, the Group will examine the possibility of a change of business model to reduce or avoid these serious effects on business operations.

In terms of transition risks, the Stock Exchange has required listed companies to enhance climate-related disclosures in their ESG reports, which may result in increased compliance costs. Failure to meet the climate change compliance requirements may expose the Group to risks of claims and lawsuits. Corporate reputation may also decline. The Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid reputational risks due to delayed response. In addition, in order to reduce the Group's environmental impact and to comply with the requirements of the Stock Exchange, the Group has set targets to reduce energy consumption and GHG emissions. The Group will continue to assess the effectiveness of the Group's actions to address climate change and enhance its resilience against climate-related issues.

B. SOCIAL

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 2021, the Group has complied with relevant rules and regulations including but not limited to the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Regulations on Labor Inspection and Security, the Companies Ordinance of Hong Kong, the Mandatory Provident Fund Schemes Ordinance of Hong Kong, the Minimum Wages Ordinance of Hong Kong, the Personal Data Privacy Ordinance of Hong Kong, Act on the Employment Policy and Labour Rights of Macau, the Labour Law of Cambodia, and other relevant rules and regulations.

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 polices 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 staff 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.

During the year ended 31 December 2021, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

As at 31 December 2021, the Group had 69 full-time employees and no part-time employee, and the composition is shown below:

	Number of employees	Percentage
By gender		
Male	37	54%
Female	32	46%
By age group		
<30	13	19%
30-50	41	59%
>50	15	22%
By geographical location		
Hong Kong, China	25	36%
Macau, China	3	4%
Mainland China	6	9%
Cambodia	35	51%
By employee category		
Senior management	16	23%
Middle management	14	20%
General staff	39	57%

During the year ended 31 December 2021, the employee turnover rate[5] of the Group is 37% and the composition is shown as follows:

	Employee turnover rate[6]
By gender	
Male	38%
Female	36%
By age group	
<30	74%
30-50	35%
>50	12%
By geographical location	
Hong Kong, China	41%
Macau, China	–
Mainland China	80%
Cambodia	22%

Notes:

5. The overall employee turnover rate is calculated by dividing the total number of employees leaving employment during the year ended 31 December 2021 by the average number of employees on 1 January 2021 and 31 December 2021.

6. The employee turnover rate for each category is calculated by dividing the number of employees leaving employment in the specified category during the year ended 31 December 2021 by the average number of employees in the specified category on 1 January 2021 and 31 December 2021.

B2. Health and Safety

Occupational Health and Safety

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.

During the year ended 31 December 2021, the Group has complied with relevant rules and regulations including but not limited to the Law of the People's Republic of China on Work Safety, Occupational Disease Prevention and Control Law of the People's Republic of China, the Occupational Safety and Health Ordinance of Hong Kong, General Regulation on Health and Safety in a non industrial work environment of Macau, and Health and Safety of Workers of Cambodia.

During the year ended 31 December 2021, the Group was not aware of any non-compliance with the health and safety laws and regulations. During the year ended 31 December 2021, the were no lost days due to work injury. Also, in the past three years, including the year ended 31 December 2021, there were no work-related fatalities.

Response to coronavirus ("COVID-19")

In response to the outbreak of the COVID-19 pandemic, the Group has taken measures to enhance health and safety precautions in the offices to ensure the health of employees, the Group's internal safety and business continuity. In addition to increasing the frequency of cleaning and disinfection in the office areas, the Group strictly requires staff to wear surgical masks in the office, conducts stringent temperature checks, and reminds employees of the importance of maintaining personal hygiene.

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.

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, including management, customer service and financial knowledge.

During the year ended 31 December 2021, the percentage of total employees trained[7] by the Group was approximately 17% and the average training hours completed per employee[8] was approximately 1.41 hours. The breakdown of the percentage of employees trained and the average training hours completed per employee by gender and employee category is as follows:

	Percentage of employee trained[9]	Average training hours[10]
By gender		
Male	83%	2.14
Female	17%	0.56
By employee category		
Senior management	75%	4.50
Middle management	25%	1.79
General staff	–	–

Notes:

7. The percentage of total employee trained is calculated by dividing the total number of employees who took part in training during the year ended 31 December 2021 by the total number of employees as at the year ended 31 December 2021.

8. The average training hours completed per employee is calculated by dividing the total number of training hours during the year ended 31 December 2021 by the total number of employees as at the year ended 31 December 2021.

9. The percentage of employees trained by category is calculated by dividing the number of employees in the specified category who took part in training during the year ended 31 December 2021 by the total number of employees who took part in training during the year ended 31 December 2021.

10. The average training hours completed per employee by category is calculated by dividing the number of training hours for employees in the specified category during the year ended 31 December 2021 by the number of employees in the specified category as at the year ended 31 December 2021.

B4. Labour Standards

Prevention of Child Labour or Forced Labour

The Group strictly prohibits employing any child labour or forced labour in its operations. 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 labour or forced labour 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. The Group has complied with including but not limited to the Employment of Children Regulations under the Employment Ordinance of Hong Kong, the Convention on the Abolition of Forced Labor with respect to Employment of Workers, the Labor Law of the People's Republic of China on the Employment of Adolescents under the Age of 16 and their Legal Rights and Interests, Provisions on the Prohibition of Child Labor in the People's Republic of China, Act on Employment Policy and Labour Rights of Macau, and the Labour Law of Cambodia.

During the year ended 31 December 2021, 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.

The Group's procurement department is also responsible for organising the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. 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 course of selecting suppliers, the Group assesses whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimise carbon emissions. The Group also gives priority to suppliers that use environmentally preferable products and services in the selection process and strives to minimise potential environmental and social risks in the supply chain. The Group will continue to review its supply chain periodically with regard to the suppliers' performance and environmental and social standards. Any material violation of laws and regulations may lead to the termination of supplier contracts.

In the selection of new suppliers, the Group has compared at least three different companies, 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, the Group carries out annual reviews and evaluations in various aspects including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. This ensures that the Group's operations comply with national standards or relevant regulations and that it has no child or forced labour 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.

During the year ended 31 December 2021, the Group has implemented the above supplier engagement practices to a total of 2 suppliers. The number of suppliers by geographic region is as follows.

	Number of suppliers
By geographical location	
Cambodia	2

B6. Product Responsibility

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 its customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services.

The complaint handling procedures have been established by the Group to allow relevant departments to carry out a detailed investigation, actively monitor the handling process, coordinate and communicate with all involved parties, and properly respond to complaints. The Group strives to understand the truth and root causes of complaints made by our customers and identify responsible parties and areas for improvement in order to enhance the Group's service quality.

Due to the nature of the Group's business, no recall of products due to health and safety reasons is required. There were also no material complaints were received in relation to products and services during the year ended 31 December 2021.

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's legal department 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 the Group's customers is only accessible to employees who are responsible for the corresponding project.

Protection of client privacy

The Group attaches high importance to safeguarding clients' interests and privacy and strives to maintain and protect personal data. Through adopting a high standard of security and confidentiality towards customer privacy protection, we comply with regulatory requirements regarding data privacy. The Group has formulated relevant guidelines to regulate employees' handling of personal data of clients. The Group also arranges training from time to time to raise the employees' awareness of privacy protection. The Group maintains and reviews all customer communication channels to obtain feedback, handle complaints in a timely manner so as to conduct inspections and improve customer service system.

Due to its business nature, the Group conducts limited advertising campaigns and therefore does not involve any significant advertising-related risks.

During the year ended 31 December 2021, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law, Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Copyright Law of the People's Republic of China, Customer Protection Law of Macau, and Law on the Copyright and Related Rights of Cambodia.

During the year ended 31 December 2021, 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. The Group provided anti-corruption compliance training periodically to directors and employees to familiarise them with their corresponding roles and responsibilities in anti-corruption and business ethics and to ensure compliance with applicable laws and regulations. During the year ended 31 December 2021, the Group's directors and employees have received a total of approximately 4 hours and 6 hours of anti-corruption training on crime prevention and integrity culture respectively.

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 but not limited to Hong Kong's Prevention of Bribery Ordinance, the Mainland China's Corruption Ordinance of the People's Republic of China, Penal Code of Macau, and Anti-corruption Law of Cambodia.

During the year ended 31 December 2021, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption. There were also no concluded legal cases regarding corrupt practices during the year ended 31 December 2021.

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 Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

During the year ended 31 December 2021, the Group has donated a total of HK$10,000 to Garment Manufacturers Association in Cambodia ("GMAC") to support the needy during the outbreak of COVID-19.

Report of the Directors

The Directors present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by geographical areas and businesses is set out in note 6 to the financial statements.

BUSINESS REVIEW

A fair business review of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 6 and pages 7 to 28 respectively of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The risk management policies and practices of the Group are shown in note 38 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 87 to 92 of this annual report.

DIVIDEND

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of change in equity, respectively in this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2021 and 2020 were as follows:

	2021	2020
	HK$'000	HK$'000
Share premium	**48,873**	48,873
Capital reserve	**1,488**	1,488
Accumulated losses	**(291,013)**	(257,448)
	(240,652)	(207,087)

The Company had no distribution reserves as at 31 December 2021 (2020: HK$nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report. This summary does not form part of the audited financial statements for the year ended 31 December 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year ended 31 December 2021. Details of the share capital of the Company for the year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles and there is no restriction against such rights under the laws of the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

DONATIONS

The Group made charitable donations totaling HK$10,000 (2020: HK$322,000) for the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, sales to the Group's largest customer and five largest customers accounted for approximately 49.2% and 100% respectively of the total revenue of the Group for the year. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases for the year.

To the best knowledge of the Directors, none of the Directors, any of their close associates (within the meaning of the Listing Rules) or any Shareholders who or which owns 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 year ended 31 December 2021.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with suppliers and customers. During the year ended 31 December 2021, there were no material and significant dispute between the Group and its suppliers and/or customers.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of this annual report are:

Executive Directors

Mr. Li Qing *(Chairman)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Yu Wenhao
Ms. Wang Mengsu
Mr. Lin Qiansheng
Mr. Hon Ming Sang

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

Pursuant to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting.

Report of the Directors

Pursuant to Article 84(1) of the Articles of Association, at every annual general meeting of the Company, one-third of the Director for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Pursuant to Article 84(2), the Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself/herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation 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. Any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Accordingly, Mr. Lam Kwan Sing, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong will retire from office as Directors by rotation at the forthcoming AGM. Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Board has been informed by Mr. Lam Kwan Sing that he will not offer himself for re-election at the forthcoming AGM in order to devote more time on his other business commitments and will retire as an executive Director at the conclusion of the forthcoming AGM.

In accordance with the requirements of Rule 13.51(2) of the Listing Rules, Mr. Lam Kwan Sing has confirmed that he has no disagreement with the Board and there is no matter that needs to be brought to the attention to the Shareholders regarding his retirement.

BIOGRAPHIES OF DIRECTORS

Biographical details of the Directors are set out on pages 29 to 31 of this annual report.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from each of Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong, being the current Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a letter of appointment with the Company for a term of 3 years commencing from his/her date of appointment which term will continue, and such letter of appointment may be terminated by either party by serving not less than one-month's prior written notice to the other party. Each Director will be re-elected at the AGM in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration for the year ended 31 December 2021 are set out in note 10 to the consolidated financial statements.

REMUNERATION POLICY

The Directors' remuneration including the Directors' fees is subject to the Shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee for the Board approval, having regard to the operating results of the Group, individual performance and comparable market statistics.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Party Transactions/Exempted Continuing Connected Transactions" on Page 74 of this annual report and notes 26, 27 and 35 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company's holding company or any of the Company's subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, during the year and up to the date of this report, none of the Directors are considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group required to be disclosed under the Listing Rules.

Name of the Director	Position(s) within the Company	Position(s) in other companies which may compete with the Group
Mr. Li Qing	Executive Director and Chairman of the Board	SFund International Investment Fund Management Limited –director and general manager (resigned on 2 March 2022)
Mr. Yu Wenhao	Executive Director	廣州匯垠天粵股權投資基金管理有限公司 (Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.*) – deputy general manager
Ms. Wang Mengsu	Executive Director	SFund International Investment Fund Management Limited – assistant general manager and investment director
Mr. Lin Qiansheng	Executive Director	SFund International Investment Fund Management Limited – chief financial officer

RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in note 25, 27 and 35 to the consolidated financial statements which constituted exempted continuing connected transactions under Chapter 14A of the Listing Rules.

During the year, the Group had the following continuing connected transactions which are exempted from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules and are included herein for information only.

1. Loan Agreement with Mr. Lai Leong

As at 31 December 2021, the loan agreements with Mr. Lai Leong (the "Loans") in totals amount was HK$23,100,000 and Mr. Lai Leong is deemed to be interested in 36.93% shareholding of the Company as at 31 December 2021, pursuant to which Mr. Lai Leong had agreed to provide the Loans to the Group at interest rate of 8% per annum with a term of 6 months. Mr. Lai Leong through his wholly-owned company, Plus Value International Limited, holds 177,300,000 Shares, representing 36.93% of the issued share capital of the Company and thus Mr. Lai Leong and Plus Value International Limited are the controlling Shareholders as at 31 December 2021. (For details, please refer to the "Charged Shares held by Plus Value International Limited" under the section headed "Report of the Directors" on Page 81 of this annual report). For the year ended 31 December 2021, the interest expense to Mr. Lai Leong was HK$2,306,000.

2. Bond Subscription Agreement with Kapok Spirit Investment Limited

On 27 October 2017, the Company, as the Issuer, entered into the Subscription Agreement with Kapok Spirit Investment Limited, a company indirectly wholly-owned by Guangzhou Industrial Investment Fund Management Co., Ltd., a substantial Shareholder, as the Subscriber, in relation to the subscription of the Bond. The issue of Bond constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bond in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bond. The maturity date of the Bond will be intended to extend upon maturity. Kapok Spirit Investment Limited is an associate of Guangzhou Industrial Investment Fund Management Co., Ltd. Ms. Wang Mengsu, the Executive Director of the Company, is the director of Kapok Spirit Investment Limited. Under the Listing Rules and she is therefore a connected person of the Company as defined under the Listing Rules. For the year ended 31 December 2021, the interest expense in relation to the Bond was HK$6,800,000.

3. Bond Subscription Agreement with SFund International Investment Fund Management Limited

During the year, the Company, as the Issuer, entered into the SFund Subscription Agreement with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, as the Subscriber in relation to the subscription of the SFund Bond. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the SFund Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe, for the SFund Bond in the principal amount of HK$9,000,000 with a coupon rate of 8% per annum payable at semi-annually in arrears for a term of 2 years from the date of issue of the SFund Bond. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company. For the year ended 31 December 2021, the interest expense in relation to the SFund Bond was HK$114,000.

4. Loan Agreement with SFund International Investment Fund Management Limited

As at 31 December 2021, the loan agreements with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, pursuant to which SFund International Investment Fund Management Limited had agreed to provide the loan to the Company amounting to HK$30,000,000, at interest rate of 8% per annum with a term of 5 years. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company. For the year ended 31 December 2021, the interest expense in relation to the SFund International Investment Fund Management Limited was HK$2,396,000.

5. Loan Agreement with Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.

On 14 September 2020, the Group, through its 51% indirectly owned subsidiary, Hunan Huiyin Tianxing as the borrower, entered into a loan agreement with 廣州滙垠天粵股權投資基金管理有限公司 (Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.*) as the Lender, pursuant to which the Lender agreed to provide to Hunan Huiyin Tianxing a loan in the principal amount of RMB50,000,000 (the"HT Loan") for a term of 12 months from the date of drawdown at the interest rate of 6% per annum which will be paid quarterly. 廣州匯垠天粵股權投資基金管理有限公司 (Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.*) ("Guangzhou Huiyin Tianyue") is a parent company of SFund International Investment Fund Management Limited (a substantial shareholder of the Company). Mr. Yu Wenhao, the Executive director of the Company, is the deputy general manager of Guangzhou Huiyin Tianyue. Under the Listing Rules and he is therefore a connected person of the Company as defined under the Listing Rules. For the year ended 31 December 2021, the interest expense in relation to the HT Loan was HK$3,549,000.

6. Loan Agreement with Sunrise Shining Investment Limited

On 20 November 2020, Capital Strategic, an indirect wholly-owned subsidiary of the Company, entered into the loan agreement with Sunrise Shining Investment Limited, a company which owned by a related company of a substantial shareholder of the Company, pursuant to which Capital Strategic had agreed to provide the loan to Sunrise Shining Investment Limited of HK$6,800,000, at interest rate of 12% per annum with a term of 3 months. For the year ended 31 December 2021, the interest income on the loan receivable from Sunrise Shining Investment Limited was HK$121,000.

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year which should be disclosed pursuant to the requirements under the Listing Rules.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2021, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares of the Company in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 June 2014 (the "Share Option Scheme") which became effective on 11 July 2014. The purpose of the Share Option Scheme is to motivate certain eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Eligible persons of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part time employee), a director or proposed director (including an Independent Non-executive Director) of any member of the Group, a direct or indirect shareholder of any member of the Group and an associate of any of the aforementioned persons.

The maximum number of shares which may be issued under the Share Option Scheme and any other schemes of the Group must not exceed 48,000,000 shares, representing 10% of the total number of shares in issue as at the date of listing of the shares of the Company on the Stock Exchange.

The maximum number of shares issued and to be issued upon exercise of the options granted to any one eligible person (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued shares from time to time unless approved in advance by the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) (if such eligible person is a connected person) abstaining from voting.

Any offer of an option under the Share Option Scheme proposed to be made to a Director, Chief Executive or substantial Shareholder or to any of their respective associates must first be approved by the Independent Non-executive Directors (excluding Independent Non-executive Director who or whose associate is the grantee of the option). In addition, where any grant of options to a substantial Shareholder (as defined in the Listing Rules) or an Independent Non-executive Director or to any of their respective associates which would result in the relevant class of securities in issue and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) in excess of 0.1% of the relevant class of securities in issue; and (ii) with an aggregate value (based on the closing price of the securities at the date of each grant) in excess of HK$5,000,000, such further grant of options is subject to approval by the Shareholders in general meeting, with such person, his associates and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

The offer of a grant of options under the Share Option Scheme may be accepted by the eligible person for a period of 28 days from the date of the offer and by payment received by the Company of HK$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of ten years from 20 June 2014.

The exercise price is determined by the Board and shall be at least the highest of: (i) the nominal value of a share; (ii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

As at 31 December 2021, no share options were granted, cancelled, lapsed or forfeited under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 December 2021.

EQUITY-LINKED AGREEMENTS

For the year, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2021.

CONTRACTS OF SIGNIFICANCE

As at 31 December 2021, the loan agreements with Mr. Lai Leong (the "Loans") in totals amount was HK$23,100,000 and Mr. Lai Leong is deemed to be interested in 36.93% shareholding of the Company as at 31 December 2021, pursuant to which Mr. Lai Leong had agreed to provide the Loans to the Group at interest rate of 8% per annum with a term of 6 months. Mr. Lai Leong through his wholly-owned company, Plus Value International Limited, holds 177,300,000 Shares, representing 36.93% of the issued share capital of the Company and thus Mr. Lai Leong and Plus Value International Limited are the controlling Shareholders as at 31 December 2021. (For details, please refer to the "Charged Shares held by Plus Value International Limited" under the section headed "Report of the Directors" on Page 81 of this annual report). For the year ended 31 December 2021, the interest expense to Mr. Lai Leong was HK$2,306,000.

On 27 October 2017, the Company, as the Issuer, entered into the Subscription Agreement with Kapok Spirit Investment Limited, a company indirectly wholly-owned by Guangzhou Industrial Investment Fund Management Co., Ltd., a substantial Shareholder, as the Subscriber, in relation to the subscription of the Bond. The issue of Bond constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bond in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bond. The maturity date of the Bond will be intended to extend upon maturity. Kapok Spirit Investment Limited is an associate of Guangzhou Industrial Investment Fund Management Co., Ltd. Ms. Wang Mengsu, the Executive Director of the Company, is the director of Kapok Spirit Investment Limited. Under the Listing Rules and she is therefore a connected person of the Company as defined under the Listing Rules. For the year ended 31 December 2021, the interest expense in relation to the Bond was HK$6,800,000.

During the year, the Company, as the Issuer, entered into the SFund Subscription Agreement with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, as the Subscriber in relation to the subscription of the SFund Bond. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the SFund Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe, for the SFund Bond in the principal amount of HK$9,000,000 with a coupon rate of 8% per annum payable at semi-annually in arrears for a term of 2 years from the date of issue of the SFund Bond. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company. For the year ended 31 December 2021, the interest expense in relation to the SFund Bond was HK$114,000.

As at 31 December 2021, the loan agreements with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, pursuant to which SFund International Investment Fund Management Limited had agreed to provide the loan to the Company amounting to HK$30,000,000, at interest rate of 8% per annum with a term of 5 years. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company. For the year ended 31 December 2021, the interest expense in relation to the SFund International Investment Fund Management Limited was HK$2,396,000.

On 14 September 2020, the Group, through its 51% indirectly owned subsidiary, Hunan Huiyin Tianxing as the borrower, entered into a loan agreement with Guangzhou Huiyin Tianyue as the Lender, pursuant to which the Lender agreed to provide to Hunan Huiyin Tianxing a loan in the principal amount of RMB50,000,000 (the"HT Loan") for a term of 12 months from the date of drawdown at the interest rate of 6% per annum which will be paid quarterly. Guangzhou Huiyin Tianyue is a parent company of SFund International Investment Fund Management Limited (a substantial shareholder of the Company). Mr. Yu Wenhao, the Executive director of the Company, is the deputy general manager of Guangzhou Huiyin Tianyue. Under the Listing Rules and he is therefore a connected person of the Company as defined under the Listing Rules. For the year ended 31 December 2021, the interest expense in relation to the HT Loan was HK$3,549,000.

On 20 November 2020, Capital Strategic, an indirect wholly-owned subsidiary of the Company, entered into the loan agreement with Sunrise Shining Investment Limited, a company which owned by a related company of a substantial shareholder of the Company, pursuant to which Capital Strategic had agreed to provide the loan to Sunrise Shining Investment Limited of HK$6,800,000, at interest rate of 12% per annum with a term of 3 months. For the year ended 31 December 2021, the interest income on the loan receivable from Sunrise Shining Investment Limited was HK$121,000.

Save as disclosed above and in note 26, 27 and 35 to the consolidated financial statements, the Company neither has any contract of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries. The Group's business in which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

Report of the Directors

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

As at 31 December 2021, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than Directors or Chief Executive of the Company), who had interests or short positions in the shares and the underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows.

Long positions in the Ordinary Shares of HK$0.01 each of the Company

Name of Shareholder	Capacity/Nature of Interests	Number of Shares held	Approximate Shareholding Percentage
SFund International Investment Fund Management Limited (Note 1)	Beneficial owner	139,200,000	29%
廣州滙垠天粵股權投資基金管理有限公司 Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.* (Note 1)	Interest in a controlled corporation	139,200,000	29%
廣州科技金融創新投資控股有限公司 Guangzhou Technology Financial Innovation Investment Holdings Ltd.* (Note 1)	Interest in a controlled corporation	139,200,000	29%
廣州產業投資基金管理有限公司 Guangzhou Industrial Investment Fund Management Co., Ltd.* (Note 1)	Interest in a controlled corporation	139,200,000	29%
廣州市城市建設投資集團有限公司 Guangzhou City Construction Investment Group Co., Ltd.* (Note 1)	Interest in a controlled corporation	139,200,000	29%
Plus Value International Limited (Note 2)	Beneficial owner	177,300,000	36.93%
Lai Leong (Note 2)	Interest in a controlled corporation	177,300,000	36.93%
Chan Man Hoi (in the capacity as the Receiver) (Note 3)	Receiver	177,300,000	36.93%
Lai Kar Yan (in the capacity as the Receiver) (Note 3)	Receiver	177,300,000	36.93%

Notes:

1. SFund International Investment Fund Management Limited is wholly-owned by Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.*, which is wholly-owned by Guangzhou Technology Financial Innovation Investment Holdings Ltd.*. Guangzhou Technology Financial Innovation Investment Holdings Ltd. is wholly-owned by Guangzhou Industrial Investment Fund Management Co., Ltd.* Guangzhou Industrial Investment Fund Management Co., Ltd.* is wholly-owned by Guangzhou City Construction Investment Group Co., Ltd.*

2. Plus Value International Limited is wholly-owned by Mr. Lai Leong. By virtue of the SFO, Mr. Lai Leong is deemed to be interested in the Shares held by Plus Value International Limited.

3. On 18 June 2021, Mr. Lai Kar Yan Derek and Mr. Chan Man Hoi Ivan (the "Receivers") were appointed as joint and several receivers (the "Receivership") over 177,300,000 ordinary issued shares of the Company (the "Charged Shares") held by Plus Value International Limited which had been charged to Industrial Bank Co., Ltd. Hong Kong Branch ("Industrial Bank") as a condition to the availability of a facility letter dated 4 May 2017, as amended from time to time, entered into between, among others, Plus Value International Limited as borrower and Industrial Bank as lender. Details were set out in the announcement of the Company dated 29 June 2021.

Save as disclosed above, as at 31 December 2021, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in shares and Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CHARGED SHARES HELD BY PLUS VALUE INTERNATIONAL LIMITED

With reference to the announcement of the Company dated 29 June 2021, the Company received a letter from Deloitte Touche Tohmatsu dated 18 June 2021 regarding the appointment of Lai Kar Yan Derek and Chan Man Hoi Ivan as joint and several receivers over 177,300,000 Shares held by Plus Value International Limited. The Charged Shares represent approximately 36.93% of the issued share capital of the Company as at 31 December 2021. Please refer to the announcements of the Company dated 29 June 2021, 29 July 2021, 30 August 2021, 30 September 2021, 29 October 2021, 29 November 2021, 29 December 2021, 28 January 2022, 28 February 2022 and 28 March 2022 for further details.

CHANGE OF DIRECTORS' INFORMATION

During the year ended 31 December 2021 and up to the date of this annual report, the updated information on Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follow:

1.	Mr. Lam Kwan Sing	From 1 May 2021 the remuneration was adjusted from HK$110,000 per month to HK$10,000 per month.
2.	Mr. Hon Ming Sang	From 1 May 2021 the remuneration was adjusted from HK$100,000 per month to HK$95,000 per month.
3.	Mr. Fok Ho Yin, Thomas	From 1 May 2021 the remuneration was adjusted from HK$20,000 per month to HK$10,000 per month for serving as an independent non-executive Director.
4.	Mr. Chan Wai Cheung, Admiral	From 1 May 2021 the remuneration was adjusted from HK$20,000 per month to HK$10,000 per month for serving as an independent non-executive Director; and Resigned as an independent non-executive director and a member of each of the audit committee, nomination committee and remuneration committee of China Oil Gangran Energy Group Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8132) on 4 August 2021.
5.	Mr. Lam Ho Pong	From 1 May 2021 the remuneration was adjusted from HK$20,000 per month to HK$10,000 per month for serving as an independent non-executive Director.

Report of the Directors

Save as disclosed above, the Company is not aware of other changes in the directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into a loan agreement (the "CH Loan Agreement") with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK$40,000,000 (the "CH Loan") to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the CH Loan drawn down.

On 14 August 2018, Capital Strategic entered into a supplemental loan agreement with China-HK to, among other matters, extend the maturity date from 14 August 2018 to 14 February 2019. Other than the maturity date which had been extended to 14 February 2019 pursuant to the supplemental loan agreement, the principal terms of the CH Loan Agreement remains applicable to Capital Strategic and China-HK in connection with the CH Loan.

The CH Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司 (Changsanjiao Xuzhou Petroleum Technology Company Limited*) ("Changsanjiao Xuzhou Petroleum Technology"), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*) ("Yancheng Saifu Petroleum & Chemical"), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the CH Loan under the CH Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the CH Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the CH Loan are set out in the announcement of the Company dated 14 February 2018 and 14 August 2018. The CH Loan is still outstanding as at 31 December 2021.

Provision of Loan to an Entity Amounting to RMB28,000,000

On 12 March 2021, Hunan Huiyin Tianxing, as the lender, entered into a loan agreement (the "Loan Agreement") with Ruirong Real Estate, as the borrower, pursuant to which, Hunan Huiyin Tianxing would provide a loan of RMB28,000,000 (the "Loan") to Ruirong Real Estate for a term of 6 months from 12 March 2021, and could be further extended for another 6 months with written consent of Hunan Huiyin Tianxing (or any other date as may be agreed by Hunan Huiyin Tianxing and Ruirong Real Estate in writing). The loan is secured by i) the charge over the land use rights of the Land created by Ruirong Real Estate in favour of Hunan Huiyin Tianxing; and ii) an irrevocable joint and several guarantee executed by the Guarantors in favour of the Ruirong Real Estate. Further details of the transaction is set out in the Company's announcements dated 12 March 2021. The loan is still outstanding as at 31 December 2021.

Subsequent to the end of the reporting period, Ruirong Real Estate had repaid HK$22,084,000 of the loan to Hunan Huiyin Tianxing. The remaining outstanding loan balance was HK$12,269,000.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

EVENTS AFTER THE REPORTING PERIOD

After the outbreak of a respiratory illness caused by the COVID-19 coronavirus in early 2020 which was later characterised as a pandemic (the "Pandemic"), a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the Pandemic and evaluate its impact on the financial position and operating results of the Group in the future.

Except as disclosed elsewhere in this report, there is no material subsequent event untaken by the Group after 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the 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 Listing Rules as at the date of this annual report.

PERMITTED INDEMNITY PROVISIONS

Under the Articles, every Director, company secretary, other officers and auditor for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of legal actions against the Directors and senior management arising out from corporate activities.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM to be held on Monday, 20 June 2022, the register of members of the Company will be closed from Wednesday, 15 June 2022 to Monday, 20 June 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, China, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 14 June 2022 (Hong Kong, China time).

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 32 to 49 of this annual report.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2021 with the management and the Company's external auditor, ZHONGHUI ANDA CPA Limited.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by ZHONGHUI ANDA CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditor of the Company will be proposed at the forthcoming AGM.

By order of the Board
Li Qing
Chairman

Hong Kong, China, 31 March 2022

The English translation of Chinese names or words in this report, where indicated by "", are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

Independent Auditor's Report

To the Shareholders of Sfund International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Sfund International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 160, which comprise the consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of HK$41,839,000 and HK$77,546,000 respectively for two consecutive years of year ended 31 December 2021 and 2020 and as at 31 December 2021 the Group had net current liabilities and net liabilities of HK$238,127,000 and HK$246,463,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. The consolidated financial statements do not include any adjustments that would result from the failure to complete the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. We consider that the material uncertainties have been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614

Hong Kong, China, 31 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	7	**10,864**	11,757
Cost of sales and services rendered		**(304)**	(3,449)
Gross profit		**10,560**	8,308
Other income and gains	7	**26,616**	1,663
Selling expenses		**(315)**	(1,353)
Administrative expenses		**(43,418)**	(67,140)
Other expenses, net		**(4,828)**	(752)
Finance costs	8	**(31,946)**	(21,993)
Share of loss of an associate		**(1,641)**	(1,568)
LOSS BEFORE TAX	9	**(44,972)**	(82,835)
Income tax credit	12	**268**	318
LOSS FOR THE YEAR		**(44,704)**	(82,517)
Attributable to:			
Owners of the Company		**(41,839)**	(77,546)
Non-controlling interests		**(2,865)**	(4,971)
		(44,704)	(82,517)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	13	**HK(8.72) cents**	HK(16.16) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
LOSS FOR THE YEAR	**(44,704)**	(82,517)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**276**	511
Exchange differences reclassified upon disposal of subsidiaries	**335**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**611**	511
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(44,093)**	(82,006)
Attributable to:		
Owners of the Company	**(41,270)**	(77,217)
Non-controlling interests	**(2,823)**	(4,789)
	(44,093)	(82,006)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipments	15	**238**	1,193
Right-of-use assets	16	**–**	8,932
Intangible assets	17	**1,683**	3,308
Investment in an associate	18	**408**	2,013
Financial assets at fair value through profit or loss	19	**25,650**	12
Deposits and other receivables	22	**3,373**	3,423
Total non-current assets		**31,352**	18,881
CURRENT ASSETS			
Accounts receivable	20	**–**	148
Loans receivable	21	**73,737**	46,184
Prepayments, deposits and other receivables	22	**45,372**	44,146
Cash and cash equivalents	23	**3,057**	68,179
Total current assets		**122,166**	158,657
CURRENT LIABILITIES			
Trade payables	24	**–**	27
Other payables and accruals	25	**85,607**	72,926
Other borrowings	26	**186,854**	186,213
Bond payables	27	**80,000**	80,000
Tax payables		**7,832**	7,832
Total current liabilities		**360,293**	346,998
NET CURRENT LIABILITIES		**(238,127)**	(188,341)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(206,775)**	(169,460)
NON-CURRENT LIABILITIES			
Other payables and accruals	25	**389**	4,343
Other borrowings	26	**30,000**	28,000
Bond payables	27	**9,000**	–
Deferred tax liabilities	28	**299**	567
Total non-current liabilities		**39,688**	32,910
Net liabilities		**(246,463)**	(202,370)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**4,800**	4,800
Reserves	30	**(251,344)**	(210,073)
		(246,544)	(205,273)
Non-controlling interests	31	**81**	2,903
Total equity		**(246,463)**	(202,370)

The consolidated financial statements on pages 87 to 93 were approved and authorised for issue by the board of directors on 31 March 2022 and are signed on its behalf by:

Li Qing
Director

Lam Kwan Sing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Issued capital	**Share premium ***	**Capital reserve ***	**Exchange fluctuation reserve ***	**Legal reserve ***	**Merger reserve ***	**Retained profits/ (accumulated losses) ***	**Total**	**Non-controlling interest**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As 1 January 2020	4,800	48,873	10,071	(1,862)	49	8,417	(198,404)	(128,056)	7,692	(120,364)
Loss for the year	–	–	–	–	–	–	(77,546)	(77,546)	(4,971)	(82,517)
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	329	–	–	–	329	182	511
Total comprehensive income/(loss) for the year	–	–	–	329	–	–	(77,546)	(77,217)	(4,789)	(82,006)
As 31 December 2020	4,800	48,873	10,071	(1,533)	49	8,417	(275,950)	(205,273)	2,903	(202,370)
As 1 January 2021	**4,800**	**48,873**	**10,071**	**(1,533)**	**49**	**8,417**	**(275,950)**	**(205,273)**	**2,903**	**(202,370)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(41,839)**	**(41,839)**	**(2,865)**	**(44,704)**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**233**	**–**	**–**	**–**	**233**	**43**	**276**
Exchange differences reclassified upon disposal of subsidiaries	**–**	**–**	**–**	**335**	**–**	**–**	**–**	**335**	**–**	**335**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**568**	**–**	**–**	**(41,839)**	**(41,271)**	**(2,822)**	**(44,093)**
As 31 December 2021	**4,800**	**48,873**	**10,071**	**(965)**	**49**	**8,417**	**(317,789)**	**(246,544)**	**81**	**(246,463)**

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(44,972)**	(82,835)
Adjustments for:		
Share of loss of an associate	**1,641**	1,568
Interest income	**(1)**	(6)
Finance costs	**31,946**	21,993
Depreciation of property, plant and equipment	**341**	1,144
Depreciation of right-of-use assets	**4,678**	4,663
Loss on disposal of an associate	**–**	601
Gain on disposal of subsidiaries	**(24,106)**	–
Fair value gain on financial assets at fair value through profit or loss	**(1,079)**	–
Reversal of impairment of accounts receivable	**(482)**	–
Reversal of impairment of loans receivable	**–**	(612)
Impairment of right-of-use assets	**3,203**	–
Impairment of intangible assets	**1,625**	692
Operating loss before working capital changes	**(27,206)**	(52,792)
Decrease in accounts receivable	**594**	4,089
(Increase)/decrease in loan receivables	**(26,926)**	68,200
(Increase)/decrease in prepayments, deposits and other receivables	**(1,251)**	2,313
(Increase)/decrease in financial assets at fair value through profit or loss	**(24,090)**	1,091
Decrease in trade payables	**–**	(4,569)
Increase in other payables and accruals	**2,203**	1,659
Cash (used in)/generated from operations	**(76,676)**	19,991
Interest received	**1**	6
Hong Kong profits tax paid	**–**	(180)
Overseas and Mainland China taxes paid	**–**	(296)
Net cash (used in)/generated from operating activities	**(76,675)**	19,521
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(49)**	(54)
Disposal of subsidiaries	**(2,086)**	–
Proceeds from disposal of an associate	**–**	1,593
Capital injection of an associate	**–**	(3,472)
Net cash used in investing activities	**(2,135)**	(1,933)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other borrowings	**26,521**	184,438
Repayment of other borrowings	**(2,409)**	(5,846)
Proceeds from issuance of bond	**9,000**	–
Repayment of bond payable	**–**	(140,063)
Lease payments	**(4,892)**	(5,051)
Interest paid	**(15,371)**	(9,538)
Net cash generated from financing activities	**12,849**	23,940
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(65,961)**	41,528
Cash and cash equivalents at beginning of year	**68,179**	23,104
Effect of foreign exchange rate changes, net	**839**	3,547
Cash and cash equivalents at end of year	**3,057**	68,179
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**3,057**	68,179
Cash and cash equivalents as stated in the consolidated statement of cash flows	**3,057**	68,179

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

1. CORPORATE INFORMATION

SFund International Holdings Limited was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Plus Value International Limited, which is incorporated in the British Virgin Islands (the "BVI"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Suites 904-5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

During the year, the Group was principally engaged in (i) the trading of apparel products and provision of apparel supply chain management services; (ii) the provision of financial services; (iii) the money lending business; and (iv) securities investment.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hanbo Enterprises Limited – Macao Commercial Offshore	Macau	MOP100,000	–	100	Trading of apparel products
Hanbo Enterprises (Holding) Limited	BVI	US$50,000	100	–	Investment Holding
Hanbo GSC (Cambodia) Ltd.	Cambodia	KHR4,000,000,000	–	100	Provision of apparel supply chain management services
Superbo Trading Co. Limited	Hong Kong	HK$1,000,000	–	100	Property investment and provision of management services
Globe Castle Limited	Hong Kong	HK$1	–	100	Provision of management services
Master Step Management Limited	Hong Kong	HK$1	–	100	Provision of management services
Capital Strategic Partners Limited	Hong Kong	HK$610,000	–	100	Money Lending
Mega Perfect Business Limited	BVI	US$100	–	100	Securities investment
Nan Guo International Asset Management Limited ("Nan Guo International Asset Management")	Hong Kong	HK$4,000,000	–	100	Provision of asset management and advisory services
Nan Guo International Securities Limited ("Nan Guo International Securities")	Hong Kong	HK$18,700,000	–	100	Provision of securities brokerage services
湖南滙垠天星股權投資私募基金管理有限公司 ("湖南滙垠") Hunan Huiyin Tianxing Private Equity Investment Fund Management Co. Ltd. ("Hunan Huiyin Tianxing")^@	PRC/Mainland China	RMB20,408,000	–	51	Provision of fund management services
天宏私募證券投資基金管理(廣州)有限公司 Tian Hong Private Securities Investment Fund Management (Guangzhou) Co. Limited ("Tian Hong Management")^@	PRC/Mainland China	RMB10,000,000	–	51	Securities investment

^ Registered as a Sino-foreign equity joint venture company in the PRC

@ The English names are for identification only

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.

2. PRESENTATION AND BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

As at 31 December 2021, the Group incurred loss attributable to owners of the Company of HK$41,839,000 and HK$77,546,000 respectively for two consecutive years of year ended 31 December 2021 and 2020, and as at 31 December 2021 the Group had net current liabilities of HK$238,127,000 and net liabilities of HK$246,463,000. The net current liabilities and the net liabilities position were attributable to material loss for the year as a result of the poor performance of the Group's businesses and the outstanding bond payable balance of HK$80 million and other borrowings balance of HK$187 millions due within twelve months from the end of the reporting period. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are formulating proposals for fund raising exercises, further details of which will be disclosed by way of announcements and it has taken the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(i) Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by a substantial shareholder of the Company, issued a letter of intent to extend the bond maturity date of a bond payable of HK$80,000,000.

(ii) As regards the bond held by Kapok Spirit, the Company intends to negotiate with Kapok Spirit and SFund International Investment Fund Management Limited ("SFund Investment Fund") to capitalise the principal amount of the outstanding bond and the outstanding shareholder's loans (the "Possible Capitalisation"). It is expected that the Company would be able to improve the financial position and reduce the finance costs if the Possible Capitalisation is materialized.

(iii) The Company intends to raise funds by issuing new securities. As at the date of this report, the Group has not yet entered into any understanding, arrangement or agreement about the aforesaid plan. The fund raising activity is subjected to the approval from the Stock Exchange and market conditions. The Company intends to use such proceeds for the potential acquisition, expansion of the Group's business and/or working capital of the Group.

2. PRESENTATION AND BASIS OF PREPARATION *(continued)*

(iv) The Company plans to dispose certain subsidiaries with minimal or nil revenue in past years to save staff costs. It is expected that the Group would be able to reduce certain administrative expenses in the current financial year.

The Directors have given careful consideration to the future liquidity of the Group and are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare these financial statements on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation *(continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination and goodwill *(continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates *(continued)*

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Group's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates used for this purpose are as follows:

Leasehold land and building	2% or over the lease terms, whichever rate is higher
Leasehold improvements	Over the shorter of the lease terms and 20%
Machinery and equipment	10%
Furniture and fixtures	20% to 33%
Office equipment	20%
Motor vehicles	25%
Computer equipment	20% to 25%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The Group's intangible assets represent money lenders' licence and licences for regulated activities issued by the Securities and Futures Commission (the "SFC"), which are stated at cost less any impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	2% – 5%
Land and buildings	25% – 50%
Motor vehicles	25% – 50%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost; and

– Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(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 ECLs 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 ECLs

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 ECLs

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 ECLs

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 ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs 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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

(a) Sales of garment

The Group recognises revenue from sales of apparel products based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group satisfies a performance obligation when it transfers control of the apparel products to a customer, upon which the apparel products are delivered to the port of shipment. Revenue is recognised at the point in time.

(b) Service fee

The Group recognises revenue from service fee for supply chain management service based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group satisfies a performance obligation when the relevant services are completed. Revenue is recognised at the point in time.

(c) Advisory service income and fund management fee income

The provision of advisory services and fund management service is a single performance obligation that the Group satisfies over time in accordance with the terms of the respective underlying agreements.

Other income

Rework and compensation income is recognised when the right to receive payment has been established.

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 through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Distribution income is recognised when the shareholders' right to receive payment has been established.

Rental income is recognised on a time proportion basis over the lease terms.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit of loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's operations in Macao are required to participate in a central social security scheme operated by the Macao Special Administrative Region government. The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the statement of profit of loss as they become payable in accordance with the rules of the central social security scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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.

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such 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 arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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 taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories and receivables 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 any impairment loss. Where 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.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the capitalisation of borrowing and fund raising. Details are explained in note 2.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

(b) Principal versus agent considerations

The Group engages third party manufacturers to provide services to certain customers. In determining whether the Group is acting as a principal or as an agent in the provision of such services requires judgement and consideration of all relevant facts and circumstances. In evaluating whether the Group acting as a principal or an agent, the Group considers whether it obtains control of the service and if necessary, also considers individually or in combination, whether the Group is primarily responsible for fulfilling the contract, is subject to inventory risk, or has discretion in establishing prices.

Key sources of estimation uncertainty

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

(a) Impairment allowances on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(b) Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units to which the goodwill and intangible assets with indefinite useful lives are allocated. The fair value less cost of disposal is based on quoted market prices of similar transactions in the market. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the apparel trading and related services segment engages in the trading of apparel products and provision of the apparel supply chain management services;

(b) the financial services segment engages in the securities dealing business, provision of asset management services, corporate finance and related advisory services;

(c) the money lending segment engages in the provision of loan financing; and

(d) the securities investment segment engages in investment in listed and unlisted investments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

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

(a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and tax recoverable; and

(b) all liabilities are allocated to operating segments other than unallocated liabilities, interest-bearing bank and other borrowings, bond payable, tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

6. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2021

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Revenue from contracts with customers:					
Recognised over time	2,657	302	–	–	2,959
Revenue from other sources	–	2,982	4,921	2	7,905
Segment revenue	2,657	3,284	4,921	2	10,864
Segment results	(11,086)	(16,389)	3,972	2	(23,501)
Reconciliation:					
Bank interest income					1
Gain on disposal of subsidiaries					24,106
Corporate and other unallocated expenses					(13,632)
Finance costs					(31,946)
Loss before tax					(44,972)
As at 31 December 2021					
Segment assets	4,092	97,789	46,353	1,364	149,598
Reconciliation:					
Corporate and other unallocated assets					3,920
Total assets					153,518
Segment liabilities	29,277	224,825	56,691	7,063	317,856
Reconciliation:					
Elimination of intersegment payables					(200,204)
Corporate and other unallocated liabilities					282,329
Total liabilities					399,981
Other segment information					
Capital expenditure*	49	–	–	–	49
Reversal of impairment of accounts receivable	–	(482)	–	–	(482)
Impairment of intangible assets	–	1,625	–	–	1,625
Depreciation of property, plant and equipment#	237	87	–	–	324
Depreciation of right-of-use assets#	426	1,161	–	–	1,587
Investment in an associate	–	408	–	–	408
Share of loss of an associate	–	1,641	–	–	1,641

\# Depreciation of property, plant and equipment and depreciation of right-of-use assets amounting to HK$17,000 and HK$3,091,000, were included under corporate and other unallocated expenses.

* Capital expenditure consists of additions to property, plant and equipment.

6. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2020

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Revenue from contracts with customers:					
Recognised at a point in time	3,146	–	–	–	3,146
Recognised over time	2,457	533	–	–	2,990
	5,603	533	–	–	6,136
Revenue from other sources	–	–	5,618	3	5,621
Segment revenue	5,603	533	5,618	3	11,757
Segment results	(18,292)	(27,857)	3,298	(13)	(42,864)
Reconciliation:					
Bank interest income					6
Corporate and other unallocated expenses					(17,984)
Finance costs					(21,993)
Loss before tax					(82,835)
As at 31 December 2020					
Segment assets	9,086	107,108	49,338	1,319	166,851
Reconciliation:					
Corporate and other unallocated assets					10,687
Total assets					177,538
Segment liabilities	46,797	219,047	57,563	7,063	330,470
Reconciliation:					
Elimination of intersegment payables					(192,485)
Corporate and other unallocated liabilities					241,923
Total liabilities					379,908
Other segment information					
Capital expenditure*	34	20	–	–	54
Reversal of impairment of loans receivable	–	–	(612)	–	(612)
Impairment of intangible assets	–	692	–	–	692
Depreciation of property, plant and equipment#	672	435	–	–	1,107
Depreciation of right-of-use assets#	970	1,121	–	–	2,091
Investment in an associate	–	2,013	–	–	2,013
Share of loss of an associate	–	1,568	–	–	1,568

Depreciation of property, plant and equipment and depreciation of right-of-use assets amounting to HK$37,000 and HK$2,572,000, were included under corporate and other unallocated expenses.

* Capital expenditure consists of additions to property, plant and equipment.

6. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

During the year, approximately 24.5% (2020: 20.9%) of the Group's total revenue from external customers, based on the locations of the products shipped to/locations of customers, were attributed to the Cambodia. For the purpose of identifying the total revenue from external customers, revenue derived from the fair value change on financial assets at fair value through profit of loss is excluded.

An analysis of disaggregation of revenue from the sales of goods and provision of services based on the locations of the products shipped to is as follows:

	2021	2020
	HK$'000	HK$'000
Cambodia	**2,657**	2,457
USA	**–**	1,847
Mainland China	**–**	491
Others	**–**	808
	2,657	5,603

Revenue from the financial services segment amounting to HK$3,284,000 (2020: HK$533,000), based on the locations of customers, was derived in Mainland China. Revenue from the money lending segment, based on the location of the customers, was derived in Hong Kong, China.

(b) Non-current assets

	2021	2020
	HK$'000	HK$'000
Hong Kong, China	**1,757**	9,924
Mainland China	**472**	5,376
Others	**100**	146
	2,329	15,446

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

6. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue from external customers each contributing 10% or more of the Group's total revenue for the year are set out below:

	Segment	2021 HK$'000	2020 HK$'000
Customer A	Money Lending	**4,800**	N/A*
Customer B	Financial services	**2,982**	–
Customer C	Apparel trading and related services	**2,657**	5,112
Customer D	Money lending	**–**	4,923

* Less than 10% of total revenue

7. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Sales of goods	**–**	3,146
Service fee income	**2,657**	2,457
Fund management fee income	**302**	533
Revenue from other sources		
Interest income from the money lending business	**4,921**	5,618
Interest income from the financial services business	**2,982**	–
Fair value gain on financial assets at fair value through profit or loss	**2**	3
	10,864	11,757

7. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Apparel trading and related services HK$'000	Financial services HK$'000	Total HK$'000
Type of goods or services			
Service fee income	2,657	–	2,657
Fund management fee income	–	302	302
	2,657	302	2,959
Geographical markets			
Mainland China	–	302	302
Cambodia	2,657	–	2,657
	2,657	302	2,959
Timing of revenue recognition			
Services transferred over time	2,657	302	2,959

7. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

For the year ended 31 December 2020

Segments	Apparel trading and related services HK$'000	Financial services HK$'000	Total HK$'000
Type of goods or services			
Sales of goods	3,146	–	3,146
Service fee income	2,457	–	2,457
Fund management fee income	–	533	533
	5,603	533	6,136
Geographical markets			
USA	1,847	–	1,847
Mainland China	491	533	1,024
Cambodia	2,457	–	2,457
Others	808	–	808
	5,603	533	6,136
Timing of revenue recognition			
Goods or services transferred at a point in time	3,146	–	3,146
Services transferred over time	2,457	533	2,990
	5,603	533	6,136

7. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

	2021 HK$'000	2020 HK$'000
Other income		
Bank interest income	**1**	6
Rework and compensation income	**–**	15
Reversal of impairment of accounts receivables	**482**	–
Government subsidies (Note)	**721**	1,721
Sundry income	**36**	103
	1,240	1,845
Gains		
Gain/(loss) on foreign exchange differences, net	**191**	(182)
Fair value gain on financial assets at fair value through profit or loss	**1,079**	–
Gain on disposal of subsidiaries (note 34)	**24,106**	–
	25,376	(182)
	26,616	1,663

Note: During the year ended 31 December 2021, the government subsidies were received from the relevant PRC government for improvement of working capital and financial assistance to the operating activities. The subsidies were granted on a discretionary basis and the conditions attached thereto were fully complied with. During the year ended 31 December 2020, government subsidies represented the gross amount received from Employment Support Scheme provided by the government of Hong Kong Special Administrative Region.

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bond payables	**6,914**	10,417
Interest on other borrowings	**24,815**	11,334
Unwinding of finance costs on lease liability	**217**	242
	31,946	21,993

9. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Auditors' remuneration	**1,380**	1,450
Cost of inventories sold	**–**	2,882
Depreciation of property, plant and equipment	**341**	1,144
Depreciation of right-of-use assets	**4,678**	4,663
Employee benefit expenses (including directors' remuneration (note 10)):		
– Wages and salaries, allowances, bonuses, commission and benefits in kind	**28,197**	42,369
– Pension scheme contributions (defined contribution schemes)#	**861**	1,648
Total employee benefit expenses	**29,058**	44,017
Reversal of impairment of accounts receivable	**(482)**	–
Reversal of impairment of loans receivable*	**–**	(612)
Fair value gain on financial assets at fair value through profit or loss	**(1,079)**	–
Gain on disposal of subsidiaries	**(24,106)**	–
Impairment of right-of-use assets*	**3,203**	–
Impairment of intangible assets*	**1,625**	692
Loss on disposal of investment in an associate*	**–**	601
Expenses related to short-term leases	**677**	880

At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

* The balances were included in "Other expenses, net" in the consolidated statement of profit or loss.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 **HK$'000**	2020 HK$'000
Fees	**480**	720
Other emoluments:		
Salaries and allowances	**1,820**	4,080
Pension scheme contributions	**29**	48
	1,849	4,128

(A) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 **HK$'000**	2020 HK$'000
Mr. Fok Ho Yin, Thomas	**160**	240
Mr. Chan Wai Cheung, Admiral	**160**	240
Mr. Lam Ho Pong	**160**	240
	480	720

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(B) Executive directors

	Fees	Salaries and allowances	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2021				
Mr. Li Qing	**–**	**–**	**–**	**–**
Mr. Lam Kwan Sing	**–**	**563**	**11**	**574**
Mr. Hon Ming Sang	**–**	**1,257**	**18**	**1,275**
Ms. Wang Mengsu	**–**	**–**	**–**	**–**
Mr. Yu Wenhao	**–**	**–**	**–**	**–**
Mr. Lin Qiansheng	**–**	**–**	**–**	**–**
	–	**1,820**	**29**	**1,849**
2020				
Mr. Li Qing	–	110	6	116
Mr. Lam Kwan Sing	–	2,340	18	2,358
Mr. Hon Ming Sang	–	1,300	18	1,318
Ms. Wang Mengsu	–	110	6	116
Mr. Yu Wenhao (Appointed on 15 October 2020)	–	15	–	15
Mr. Lin Qiansheng (Appointed on 15 October 2020)	–	15	–	15
Ms. Yi Sha (Resigned on 15 October 2020)	–	95	–	95
Mr. Liu Zhijun (Resigned on 15 October 2020)	–	95	–	95
	–	4,080	48	4,128

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

The above directors' remuneration only included remuneration during the tenure of each executive director of the Company.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2020: two), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining four (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	7,651	7,150
Pension scheme contributions	110	54
	7,761	7,204

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2021	2020
HK$3,500,001 to HK$4,000,000	1	1
HK$1,500,001 to HK$2,000,000	1	2
HK$1,000,001 to HK$1,500,000	2	–
	4	3

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

12. INCOME TAX CREDIT

	2021 HK$'000	2020 HK$'000
Current – Hong Kong		
Overprovision in prior years	–	(437)
Current – Elsewhere		
Charge for the year	–	115
Underprovision in prior years	–	118
Deferred tax liability (note 28)	(268)	(114)
	(268)	(318)

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong, China during the year.

The subsidiary of the Company established in Mainland China is subject to the PRC corporate income tax at a standard rate of 25% (2020: 25%) during the year.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (2020: Nil).

No provision for Cambodian tax has been made on the Company's subsidiary as no assessable profit in Cambodia was generated during the current year. Cambodian tax on profit was provided at the rate of 1% of total revenues arising during the prior year.

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the year (2020: Nil).

12. INCOME TAX CREDIT *(continued)*

A reconciliation of the tax expense applicable to loss before tax at the Hong Kong statutory rate to the tax charge at the effective tax rate is as follows:

	Hong Kong		Mainland China and elsewhere		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before tax	**(31,112)**	(65,623)	**(13,860)**	(17,212)	**(44,972)**	(82,835)
Tax credit at the Hong Kong/ Mainland China statutory tax rate	**(5,133)**	(10,828)	**(3,465)**	(4,303)	**(8,598)**	(15,131)
Different tax rates for specific provinces or enacted by local authorities	**–**	–	**511**	876	**511**	876
Effect of deemed profit tax	**–**	–	**–**	115	**–**	115
Adjustments in respect of current tax of previous periods	**–**	(437)	**–**	118	**–**	(319)
Income not subject to tax	**(4,278)**	(276)	**(301)**	–	**(4,579)**	(276)
Expenses not deductible for tax	**7,210**	7,252	**3,255**	3,372	**10,465**	10,624
Temporary difference not recognised	**(268)**	–	**–**	–	**(268)**	–
Tax losses not recognised	**2,201**	3,738	**–**	55	**2,201**	3,793
Tax charge at the Group's effective tax rate	**(268)**	(551)	**–**	233	**(268)**	(318)

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic and diluted loss per share

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$41,839,000 (2020: HK$77,546,000), and the weighted average number of ordinary shares of 480,000,000 (2020: 480,000,000) in issue during the year.

Diluted loss per share equals to basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

14. DIVIDEND

The board of Directors does not recommend the payment of any dividend for the year ended 31 December 2021. (2020: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
Cost							
At 1 January 2020	3,945	113	1,093	1,962	3,270	3,708	14,091
Additions	–	–	–	–	–	54	54
Written off	–	–	–	(365)	–	–	(365)
Exchange realignment	35	8	18	35	55	71	222
At 31 December 2020 and 1 January 2021	3,980	121	1,111	1,632	3,325	3,833	14,002
Additions	–	–	4	1	3	41	49
Disposal of subsidiaries	(1,211)	(122)	(243)	(1,075)	(878)	(2,818)	(6,347)
Exchange realignment	12	1	8	–	25	5	51
At 31 December 2021	2,781	–	880	558	2,475	1,061	7,755
Accumulated depreciation and impairment							
At 1 January 2020	3,464	48	970	1,707	2,376	3,282	11,847
Charge for the year	238	11	88	125	573	109	1,144
Written off	–	–	–	(365)	–	–	(365)
Exchange realignment	23	4	20	23	38	75	183
At 31 December 2020 and 1 January 2021	3,725	63	1,078	1,490	2,987	3,466	12,809
Charge for the year	64	4	28	43	127	75	341
Disposal of subsidiaries	(1,024)	(67)	(240)	(998)	(699)	(2,651)	(5,679)
Exchange realignment	14	–	6	(1)	23	4	46
At 31 December 2021	2,779	–	872	534	2,438	894	7,517
Carrying amount							
At 31 December 2021	2	–	8	24	37	167	238
At 31 December 2020	255	58	33	142	338	367	1,193

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Right-of-use assets

	2021 HK$'000	2020 HK$'000
At 1 January	**8,932**	6,432
Additions	**–**	7,001
Depreciation provided during the year	**(4,678)**	(4,663)
Disposal of subsidiaries (note 34)	**(1,039)**	–
Impairment	**(3,203)**	–
Exchange realignment	**(12)**	162
At 31 December	**–**	8,932
At 31 December:		
Cost	**–**	13,318
Accumulated depreciation	**–**	(4,386)
Net carrying amount	**–**	8,932

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

Lease liability

	2021 HK$'000	2020 HK$'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	**3,351**	4,135
One to five years	**–**	5,253
Total undiscounted lease liability at 31 December	**3,351**	9,388
Lease liability included in other payables and accruals (note 25)		
– Current	**3,261**	5,123
– Non-current	**–**	3,894
	3,261	9,017

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITY *(continued)*

Amounts recognised in the consolidated statement of financial position

	2021	2020
	HK$'000	HK$'000
At 1 January	**9,017**	6,661
Additions during the year	**–**	7,001
Interest charged to profit or loss	**217**	242
Remeasurement from early termination of a lease	**–**	–
Repayment during the year	**(4,892)**	(5,051)
Disposal of subsidiaries (note 34)	**(1,069)**	–
Exchange realignment	**(12)**	164
At 31 December	**3,261**	9,017

Amounts recognised in the consolidated statement of profit or loss

	2021	2020
	HK$'000	HK$'000
Interest on lease liability	**217**	242
Expenses relating to short-term leases	**677**	880
	894	1,122
Amounts recognised in the consolidated statement of cash flows		
Total cash outflow for leases	**4,892**	5,051

17. INTANGIBLE ASSETS

	2021 HK$'000	2020 HK$'000
Cost		
At 1 January and 31 December	**17,100**	17,100
Accumulated impairment losses		
At 1 January	**13,792**	13,100
Impairment loss recognised during the year	**1,625**	692
At 31 December	**15,417**	13,792
Carrying amount		
At 31 December	**1,683**	3,308

The intangible assets represent direct costs incurred for the acquisition of a money lenders licence and licences for regulated activities issued by the SFC (collectively, "Licences"). The intangible assets are stated at cost less any impairment losses.

The Licences is considered by the directors of the Company as having indefinite useful lives because it is expected that the Licences can be renewed continuously at minimal cost and it will contribute net cash inflows for the Group in the foreseeable future. The Licences will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The Licences are allocated to the money lending CGU, securities dealing CGU and asset management CGU. The carrying amounts of intangible assets are as follows:

	2021 HK$'000	2020 HK$'000
Money lending CGU	**900**	900
Securities dealing CGU	**–**	1,625
Asset management CGU	**783**	783
	1,683	3,308

Money lending CGU

The recoverable amount of the money lending CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a one-year period.

17. INTANGIBLE ASSETS *(continued)*

Money lending CGU *(continued)*

The discount rate applied to the cash flow projections was 9.7% (2020: 8.0%) for the money lending CGU.

Assumptions were used in the value in use calculation of the money lending CGU on 31 December 2021 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the intangible asset:

Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant unit.

Securities dealing CGU and asset management CGU

As at 31 December 2021, the recoverable amounts of the asset management CGU (2020: securities dealing CGU and asset management CGU) determined based on value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. Due to the absence of transactions in an active market for underlying assets, it is appropriate to use of discounted cash flows to estimate the fair value of such value.

That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period and discount rates of 8.55% for the asset management CGU. Cash flows beyond 5-year period are projected using 2% growth rate. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue from regulated financial services business, such estimations are based on the CGU's past performance and management's expectations for the market development. Subsequent to the year ended 31 December 2021, the licences of securities dealing CGU has been revoked.

As a result, an impairment of approximately HK$1,625,000 for the intangible asset was recognised in profit or loss for the year ended 31 December 2021.

18. INVESTMENT IN AN ASSOCIATE

	2021 **HK$'000**	2020 HK$'000
Unlisted share, at cost		
Share of net liabilities	**(2,363)**	(666)
Goodwill on acquisition	**2,767**	2,534
Exchange realignment on goodwill	**4**	145
	408	2,013

18. INVESTMENT IN AN ASSOCIATE *(continued)*

(a) Particulars of the associate as at 31 December 2021 and 2020 are as follows:

Name	Place of incorporation/ registration and business	Particulars of issued shares held 2021	2020	Percentage of ownership interest attributable to the Group 2021	2020	Principal activity
廣俊粵港澳產業投資基金管理(廣州)有限公司("廣俊粵港澳") (Guangjun Guangdong-Hong Kong-Macao Industrial Investment Fund Management (Guangzhou) Company Limited #)	PRC/Mainland China	Registered capital		30%	30%	Provision of fund management service

The English names are for identification only

(b) The following table illustrates the summarised financial information in respect of the Group's associate reconciled to the carrying amount in the consolidated financial statements:

廣俊粵港澳

	2021 HK$'000	2020 HK$'000
Non-current assets	**383**	688
Current assets	**1,052**	5,490
Non-current liabilities	**(9,288)**	(8,345)
Current liabilities	**(25)**	(52)
Net liabilities	**(7,878)**	(2,219)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Goodwill on acquisition	**2,767**	2,534
Group's share of net liabilities of associate, excluding goodwill	**(2,363)**	(666)
Exchange realignment	**4**	145
Carrying amount of the investments	**408**	2,013
Post-acquisition results:		
Loss and total comprehensive expense	**(1,641)**	(1,568)

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Equity securities, at fair value		
Unlisted equity investments	**25,650**	12

The unlisted equity investments with an aggregate carrying amount of HK$12,000 (2020: HK$12,000) were stated at cost less impairment.

20. ACCOUNTS RECEIVABLE

	2021 HK$'000	2020 HK$'000
Trade receivables	**178**	214
Fund management fee receivables	**21,335**	21,239
	21,513	21,453
Less: Impairment loss	**(21,513)**	(21,305)
Carrying amount	**–**	148

Trade receivables

Trade receivables relate to the Group's apparel trading and related services business. The Group's trading terms with its customers in the apparel trading and related services business are mainly on credit. The credit periods generally range from 30 to 90 days (2020: 30 to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	**–**	36

20. ACCOUNTS RECEIVABLE *(continued)*

Trade receivables *(continued)*

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

	2021 HK$'000	2020 HK$'000
At beginning of year	**178**	178
Impairment loss reversed	**–**	–
Balance at the end of the year	**178**	178

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. 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. 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:

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
At 31 December 2021					
Expected credit loss rate	**0%**	**0%**	**0%**	**100%**	
Gross carrying amount (HK$'000)	**–**	**–**	**–**	**178**	**178**
Expected credit losses (HK$'000)	**–**	**–**	**–**	**178**	**178**
At 31 December 2020					
Expected credit loss rate	0%	0%	0%	100%	
Gross carrying amount (HK$'000)	36	–	–	178	214
Expected credit losses (HK$'000)	–	–	–	178	178

20. ACCOUNTS RECEIVABLE *(continued)*

Fund management fees receivables

Fund management fees receivables relate to the Group's fund management business and are due from investment funds in which the Group acts as the fund manager. Pursuant to the respective fund management agreements, the fund management fees shall be paid in advance at the beginning of each year.

An ageing analysis of fund management fees receivables as at the end of the reporting period, based on the period in which services were rendered and net of loss allowance, is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 month	**–**	28
1 to 2 months	**–**	21
2 to 3 months	**–**	63
	–	112

The movements in provision for impairment of fund management fees receivables is as follows:

	2021 **HK$'000**	2020 HK$'000
At beginning of year	**21,127**	20,191
Impairment loss reversed	**(482)**	–
Exchange realignment	**690**	936
Balance at the end of the year	**21,335**	21,127

20. ACCOUNTS RECEIVABLE *(continued)*

Fund management fees receivables *(continued)*

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

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
At 31 December 2021					
Expected credit loss rate	**0%**	**0%**	**0%**	**100%**	
Gross carrying amount (HK$'000)	**–**	**–**	**–**	**21,335**	**21,335**
Expected credit losses (HK$'000)	**–**	**–**	**–**	**21,335**	**21,335**
At 31 December 2020					
Expected credit loss rate	0%	0%	0%	100%	
Gross carrying amount (HK$'000)	112	–	–	21,127	21,239
Expected credit losses (HK$'000)	–	–	–	21,127	21,127

An analysis of the gross carrying amount and the corresponding ECL allowance is as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Gross carrying amount as at 1 January 2020	–	–	20,191	20,191
New accounts receivable	533	–	–	533
Repaid during the year	(426)	–	–	(426)
Exchange realignment	5	–	936	941
Gross carrying amount as at 31 December 2020 and 1 January 2021	112	–	21,127	21,239
Disposal of subsidiaries (note 34)	–	–	(36)	(36)
Repaid during the year	(114)	–	(482)	(596)
Exchange realignment	2	–	726	728
Gross carrying amount as at 31 December 2021	–	–	21,335	21,335
ECL allowance as at 1 January 2020	–	–	(20,191)	(20,191)
Exchange realignment	–	–	(936)	(936)
ECL allowance as at 31 December 2020 and 1 January 2021	–	–	(21,127)	(21,127)
Reversed during the year ended 31 December 2020	–	–	482	482
Exchange realignment	–	–	(690)	(690)
ECL allowance as at 31 December 2021	–	–	(21,335)	(21,335)

21. LOANS RECEIVABLE

	2021	2020
	HK$'000	HK$'000
Loans receivables	**74,353**	46,800
Impairment	**(616)**	(616)
	73,737	46,184

Loans receivable arising from the money lending business of the Group bear interest at a rate of 12% (2020: 10% to 12%) per annum. As at 31 December 2021, certain loans receivable with an aggregate carrying amount of HK$73,737,000 (2020: HK$39,384,000) were secured by the pledge of collaterals.

The directors reviewed the recoverable amount of the loans receivables with reference to their respective current creditworthiness, repayment records and value of the collaterals to ensure that adequate impairment losses are recognised. The management engaged an external independent valuer to assess the value of the collaterals and expected credit losses for each of the loans receivable by applying the probability of default approach. As at 31 December 2021, accumulated impairment losses of HK$616,000 (2020: HK$616,000) has been recognized to reflect recoverable amount of the loans receivables.

An impairment analysis is performed at each reporting date by considering the probability of default of counterparty. As at 31 December 2021, the probability of default applied ranged from 0% to 100% and the loss given default was estimated to be in the range of 0% to 100%. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2021 was in the range of 4.7% to 30.0%.

21. LOANS RECEIVABLE *(continued)*

An analysis of the gross carrying amount and the corresponding ECL allowance is as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Gross carrying amount as at 1 January 2020	75,000	–	40,000	115,000
New loans drawndown	6,800	–	–	6,800
Repaid during the year	(75,000)	–	–	(75,000)
Gross carrying amount as at 31 December 2020 and 1 January 2021	6,800	–	40,000	46,800
New loans drawndown	33,726	–	–	33,726
Repaid during the year	(6,800)	–	–	(6,800)
Exchange realignment	627	–	–	627
Gross carrying amount as at 31 December 2021	34,353	–	40,000	74,353
ECL allowance as at 1 January 2020	(612)	–	(616)	(1,228)
Reversal during the year ended 31 December 2020	612	–	–	612
ECL allowance as at 31 December 2020 and 1 January 2021	–	–	(616)	(616)
Reversal during the year ended 31 December 2021	–	–	–	–
ECL allowance as at 31 December 2021	–	–	(616)	(616)

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**240**	622
Deposits	**1,980**	2,393
Loan to a third-party manufacturer	**3,218**	3,218
Other assets	**155**	205
Other receivables	**43,339**	41,318
	48,932	47,756
Less: Impairment recognised on other receivables	**(187)**	(187)
	48,745	47,569
Analysed into:		
Non-current portion	**3,373**	3,423
Current portion	**45,372**	44,146
	48,745	47,569

Other assets represented statutory deposits in respect of the securities dealing business.

Loan to a third-party manufacturer was provided for the enhancement of its production facilities. As at 31 December 2021 and 2020, the loan was secured by a property situated in Cambodia owned by the third-party manufacturer, subject to a guarantee given by an independent party to the Group, interest bearing at 10% p.a and repayable on 23 April 2023 (2020: 10% p.a and repayable on 23 April 2023).

During the year ended 31 December 2018, a substantial shareholder of the Company ("Substantial Shareholder"), through a 51% owned subsidiary of the Group, advanced an amount of HK$32,366,000 ("Advance") to an independent third party (the "Borrower") for the purpose of capital contribution to two investment funds managed by the Group (the "Pass-through Arrangement"). The Advance is unsecured, bears interest at 1.5% per month with maturity on 21 August 2018. Under this Pass-through Arrangement, the Group should bear no responsibilities as to the repayment of the Advance by the Borrower and other liabilities as well as the interest associated with the Advance. As at 31 December 2021, the amount of proceeds received from the Substantial Shareholder and the Advance to the Borrower amounting to HK$34,893,000 (2020: HK$33,776,000) were presented on a gross basis and included in "other payables and accruals" and "prepayments, deposits and other receivables", respectively, on the consolidated statement of financial position as the associated document/agreement in connection with the Pass-through Arrangement did not establish the Group's right of off-set.

The gross receivables and expected credit loss from the loan to a third-party manufacturer are classified as stage 1 as at 31 December 2021 and 2020.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movement in the loss allowance for impairment is as follows:

	2021	2020
	HK$'000	HK$'000
At 31 December	**187**	187

23. CASH AND CASH EQUIVALENTS

	2021	2020
	HK$'000	HK$'000
Cash and bank balances	**3,057**	68,179

As at 31 December 2021, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$505,000 (2020: HK$61,704,000). 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.

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

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	HK$'000	HK$'000
Within 1 month	**–**	27

The trade payables are non-interest-bearing and are normally settled on an average term of 30 days.

25. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Lease liability (note 16)	**3,261**	9,017
Other payables	**3,190**	4,582
Interest payables	**29,682**	17,496
Accruals	**14,970**	12,397
Payable to Substantial Shareholders (note 22)	**34,893**	33,777
	85,996	77,269
Analysed into:		
Non-current portion	**389**	4,343
Current portion	**85,607**	72,926
	85,996	77,269

Other payables are non-interest-bearing and are normally settled within one year.

26. OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Other loan – Unsecured	**6.00**	**2022**	**17,853**	6.00	2021	30,482
Other loan – Unsecured	**8.00**	**2022**	**12,009**	N/A	N/A	–
Other loan – Unsecured	**8.50**	**2021**	**75,000**	8.50	2021	75,000
Loan from a substantial shareholder – unsecured	**8.00**	**2025**	**30,000**	8.00	2025	28,000
Loan from a substantial shareholder – unsecured	**8.00**	**2021**	**23,100**	8.00	2021	21,350
Loan from a substantial shareholder – unsecured	**6.00**	**2021**	**58,892**	6.00	2021	59,381
			216,854			214,213
Repayable:						
Within one year or on demand			**186,854**			186,213
In the third to fifth years, inclusive			**30,000**			28,000
			216,854			214,213

26. OTHER BORROWINGS *(continued)*

Notes:

(a) As at 31 December 2021, other loans of HK$12,232,000 and HK$58,892,000 were denominated in United States dollars ("US$") and RMB respectively.

(b) As at 31 December 2020, other loans of HK$24,748,000 and HK$59,381,000 were denominated in United States dollars ("US$") and RMB respectively.

27. BOND PAYABLES

	2021	2020
	HK$'000	HK$'000
Unlisted bonds	**89,000**	80,000
Analysed into:		
Non-current portion	**9,000**	–
Current portion	**80,000**	80,000
	89,000	80,000

At the end of the reporting period, particulars of the straight bond issued by the Company are as follows:

Issue date	**Maturity from issue date**	**Coupon rate**	**Effective Interest rate**	**Principal outstanding**	
				2021	2020
				HK$'000	HK$'000
30 October 2017	23 months	8%	7.93%	**80,000***	80,000*
4 November 2021	2 years	8%	7.93%	**9,000#**	–

* The straight bond was issued by the Company to Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by a substantial shareholder of the Company. As at 31 December 2021, the bond is overdue and Kapok Spirit issued a letter of intent to extend the bond maturity date of the bond payable of HK$80,000,000.

\# The straight bond was issued by the Company to SFund International Investment Fund Management Limited ("SFund Investment Fund"), a substantial shareholder of the Company.

28. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Intangible asset HK$'000	Total HK$'000
At 1 January 2020	20	512	149	681
Deferred tax credited to the consolidated statement of profit or loss during the year (note 12)	–	(114)	–	(114)
At 31 December 2020 and 1 January 2021	20	398	149	567
Deferred tax credited to the consolidated statement of profit or loss during the year (note 12)	–	(268)	–	(268)
At 31 December 2021	20	130	149	299

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$Nil (2020: HK$nil) at 31 December 2021.

As at 31 December 2021, the Group had tax losses arising in Hong Kong of HK$3,313,000 (2020: HK$58,270,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2021, the Group also has tax losses arising in Cambodia of HK$6,064,000 (2020: HK$5,961,000) subject to the agreement by relevant tax authorities, that are available for offsetting against future taxable profits of the respective subsidiaries.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

29. SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised:		
1,000,000,000 (2020: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
480,000,000 (2020: 480,000,000) ordinary shares of HK$0.01 each	**4,800**	4,800

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Capital reserve

The capital reserve represents (i) capital contribution of HK$9,000,000 from shareholders pursuant to a deed of undertaking dated 26 March 2014; and (ii) capital contribution of HK$1,071,000 from shareholders to a subsidiary.

Legal reserve

The legal reserve represents the transfer of the profit generated from a subsidiary incorporated in Macao from retained profits to the legal reserve in accordance with article 377 of the Macao Commercial Code until the legal reserve balance reaches half of the capital of the relevant subsidiary. This legal reserve is not distributable.

Merger reserve

The merger reserve represents the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to a reorganisation in connection with the listing of the Company's shares in the prior years.

31. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's non-wholly owned subsidiary, Hunan Huiyin Tianxing, that has material noncontrolling interests for the year are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interest	**49%**	49%

	2021 HK$'000	2020 HK$'000
Loss for the year allocated to non-controlling interests	**(2,865)**	(4,971)
Accumulated balances of non-controlling interests at the reporting date	**81**	2,903

The following table illustrates the summarised financial information of Hunan Huiyin Tianxing. The post acquisition amounts disclosed are before any inter-company eliminations:

	2021 HK$'000	2020 HK$'000
Revenue and other income	**5,567**	(1,561)
Total expenses	**(9,775)**	(9,720)
Loss for the year	**(5,849)**	(9,905)
Other comprehensive income for the year	**88**	138
Total comprehensive loss for the year	**(5,761)**	(9,767)
Net cash flows used in operating activities	**(31,248)**	(8,134)
Net cash flows used in investing activities	**(24,090)**	(1,897)
Net cash flows (used in)/generated from financing activities	**(5,364)**	54,676
Net (decrease)/increase in cash and cash equivalents	**(60,702)**	44,645
Current assets	**69,851**	97,272
Non-current assets	**27,351**	4,621
Current liabilities	**(97,038)**	(95,378)
Non-current liabilities	**–**	(590)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 December 2021, the Group decreased HK$23,273,000 of other borrowings by disposal of subsidiaries (note 34). During the year ended 31 December 2020, the Group recognised the right-of-use assets and the corresponding lease liability in respect of the rights and obligations for using the leased premises, with aggregate amounts of HK$7,001,000 and HK$7,001,000, respectively.

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Finance lease payable	Loans from a third party/ shareholder	Unlisted bonds	Lease liability	Total liabilities from financing activities
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	–	32,460	219,229	6,661	258,350
Changes from financing cash flows	–	171,839	(142,848)	(5,051)	23,940
Non-cash changes					
– accrued interest	–	11,334	10,417	242	21,993
– new leases entered during the year	–	–	–	7,001	7,001
– foreign exchange movement	–	3,161	–	164	3,325
– transfer to other payables and accruals	–	(4,581)	(6,798)	–	(11,379)
At 31 December 2020 and 1 January 2021	–	214,213	80,000	9,017	303,230
Changes from financing cash flows	–	8,741	9,000	(4,892)	12,849
Non-cash changes					
– accrued interest	–	24,815	6,914	217	31,946
– disposal of subsidiaries	–	(23,273)	–	(1,069)	(24,342)
– foreign exchange movement	–	1,802	–	(12)	1,790
– transfer to other payables and accruals	–	(9,444)	(6,914)	–	(16,358)
At 31 December 2021	–	216,854	89,000	3,261	309,115

33. COMMITMENTS

As at 31 December 2021 and 2020, the Group had no material commitment.

34. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2021, the Company disposed of its 100% equity interest in a subsidiary, Hanbo Enterprises Limited ("Hanbo Enterprises"), and its subsidiaries to an independent third party at a consideration of HK$1.00. The principal activity of Hanbo Enterprises is trading of apparel products and provision of apparel supply chain management services. The subsidiaries disposed had no significant impact on the turnover and results of the Group. The net assets of Hanbo Enterprises and its subsidiaries at the date of disposal were as follows:

	HK$'000
Net assets disposed of	–
Property, plant and equipments	668
Right-of-use assets	1,039
Accounts receivable	36
Prepayments, deposits and other receivables	1,233
Cash and cash equivalents	2,086
Trade payables	(27)
Other payables and accruals	(6,203)
Other borrowings	(23,273)
	(24,441)
Release of foreign currency translation reserve	335
Gain on disposal of subsidiaries	(24,106)
Net cash outflow arising on disposal:	
Cash consideration received	–
Less: Cash and cash equivalents	(2,086)
	(2,086)

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	Notes	**2021 HK$'000**	2020 HK$'000
Interest income from Sunrise Shining Investment Limited	(i)	**(121)**	(94)
Interest expense payable to Kapok Spirit	(ii)	**6,800**	6,800
Interest expense payable to Mr. Lai Leong	(iii)	**2,306**	1,083
Interest expenses payable to SFund Investment Fund	(iv)	**2,510**	1,583
Employee benefit expenses to Mr. Lai Leong		**102**	1,318
Referral fee to SFund Investment Fund	(v)	**–**	1,983
Interest expense to Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. @	(vi)	**3,549**	970

Notes:

(i) The interest income on the loan receivable from Sunrise Shining Investment Limited, a company owned by a related company of a substantial shareholder of the Company. Details of the loan receivable are included in note 21 to the consolidated financial statements.

(ii) The interest expense on the bond payable was paid to Kapok Spirit, a company indirectly wholly owned by a substantial shareholder of the Company. Details of which are included in note 27 to the consolidated financial statements.

(iii) The interest expense on a shareholder's loan was paid to Mr. Lai Leong. Details of the shareholder's loan are included in note 26 to the consolidated financial statements.

(iv) The interest expenses on a shareholder's loan and bond payable were paid to Sfund Investment Fund. Details of which are included in note 26 and 27 to the consolidated financial statements.

(v) The referral fee was paid to SFund Investments Fund, a substantial shareholder of the Company, for referral services rendered during the year. The referral fee was charged based on mutually agreed terms.

(vi) The interest expense on a shareholder's loan was paid to Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. Details of the shareholder's loan are included in note 26 to the consolidated financial statements.

@ The English names are for identification only

The related party transactions in respect of items (i) and (ii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules for the year ended 31 December 2021.

35. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**1,820**	4,080
Post-employment benefits	**29**	48
Total compensation paid to key management personnel	**1,849**	4,128

Further details of directors' emoluments are included in note 10 to these consolidated financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets:

	Financial assets at fair value through profit or loss		Financial assets at amortised cost		Total	Total
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Accounts receivable	**–**	–	**–**	148	**–**	148
Loans receivable	**–**	–	**73,737**	46,184	**73,737**	46,184
Financial assets included in prepayments, deposit and other receivables	**–**	–	**48,505**	46,827	**48,505**	46,827
Financial assets at fair value through profit or loss	**25,650**	12	**–**	–	**25,650**	12
Cash and cash equivalents	**–**	–	**3,057**	68,179	**3,057**	68,179
	25,650	12	**125,299**	161,338	**150,949**	161,350

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities:

	Financial liabilities at amortised cost	
	2021	2020
	HK$'000	HK$'000
Trade payables	**–**	27
Financial liabilities included in other payables and accruals	**85,816**	76,635
Other borrowings	**216,854**	214,213
Bond payables	**89,000**	80,000
	391,670	370,875

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instrument, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value through profit or loss	**25,638**	–	**25,638**	–

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. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

(a) Disclosures of level in fair value hierarchy:

At 31 December 2021

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2021 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
– Unlisted equity investments	–	–	25,638	25,638

(b) Reconciliation of assets measured at fair value based on level 3:

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through profit or loss:		
At 1 January	**–**	–
Additions	**24,090**	–
Total gains recognised in profit or loss (#)	**1,079**	–
Exchange realignment	**469**	–
At 31 December	**25,638**	–
# Include gains for assets held at end of reporting period	**1,079**	–

The Group did not have any financial liabilities measured at fair values as at the end of the reporting period.

During the year ended 31 December 2021 and 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The total gains recognised in profit or loss including those for assets held at end of reporting period are presented in other income and gains in the statement of profit or loss.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

Management has assessed that the fair values of accounts receivable, loans receivable, the current portion of financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade payables, the current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing other borrowing and bond payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other borrowing and bond payables as at 31 December 2021 was assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of input	Fair value 2021 HK$'000	Fair value 2020 HK$'000
Financial assets at fair value through profit or loss						
Unlisted equity investments	Market Approach	Discount of Lack of Marketability	20.6% – 20.6%	Decrease	**25,638**	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain income earned and expenses incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. Management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Maximum exposure and year-end staging as at 31 December 2021 and 2020

The table below shows 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 2021 and 2020. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Simplified approach HK$'000**	**2021 HK$'000**
Trade receivables *	**–**	**–**	**–**	**178**	**178**
Fund management fees receivables	**–**	**–**	**21,335**	**–**	**21,335**
Loans receivable	**34,353**	**–**	**40,000**	**–**	**74,353**
Financial assets included in prepayments, deposits and other receivables	**48,505**	**–**	**–**	**–**	**48,505**
	82,858	**–**	**61,335**	**178**	**144,371**

As at 31 December 2020	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	2020 HK$'000
Trade receivables *	–	–	–	214	214
Fund management fees receivables	112	–	21,127	–	21,239
Loans receivable	6,800	–	40,000	–	46,800
Financial assets included in prepayments, deposits and other receivables	46,827	–	–	–	46,827
	53,739	–	61,127	214	115,080

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging as at 31 December 2021 and 2020 *(continued)*

The Group performed ongoing credit evaluations of its debtors' financial conditions. The allowance for doubtful debts was based on a review of the expected collectability of all accounts receivable and loan receivable.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, financial assets at fair value through profit or loss arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated statement of financial position. The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. Accordingly, the Group's exposure to bad debts was not significant.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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

At 31 December 2021

	On demand or within one year HK$'000	Two to five years HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	85,906	–	85,906
Other borrowings	190,838	35,364	226,202
Bond payables	80,000	9,000	89,000
	356,744	44,364	401,108

At 31 December 2020

	On demand or within one year HK$'000	Two to five years HK$'000	Total HK$'000
At 31 December 2020			
Trade payables	27	–	27
Financial liabilities included in other payables and accruals	71,382	5,253	76,635
Other borrowings	192,503	34,476	226,979
Bond payables	80,000	–	80,000
	343,912	39,729	383,641

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or bond. The Group is required to comply with certain externally imposed capital requirements set out in certain of its banking facility agreements. Additionally, certain subsidiaries engaged in securities dealing and asset management, which are regulated entities under the SFC are required to comply with the respective minimum capital requirements imposed by the SFC. During the year, these subsidiaries complied with the respective minimum capital requirements imposed by the SFC. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital on the basis of a gearing ratio. The ratio is calculated based on the total liabilities divided by the total assets. Accordingly, the gearing ratio was 260.5% (2020: 214.0%) at the end of the reporting period.

39. EVENT AFTER THE REPORTING PERIOD

After the outbreak of a respiratory illness caused by the COVID-19 coronavirus in early 2020 which was later characterised as a pandemic (the "Pandemic"), a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the Pandemic and evaluate its impact on the financial position and operating results of the Group in the future.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
Non-current assets		
Investments in subsidiaries	–	4
	–	4
Current assets		
Prepayments and other receivables	–	290
Due from subsidiaries	–	4,122
Cash and cash equivalents	4	1
	4	4,413
Current liabilities		
Other payables and accruals	32,593	20,396
Other borrowings	75,000	75,000
Due to a subsidiary	9,263	3,308
Bond payables	80,000	80,000
	196,856	178,704
Net current liabilities	(196,852)	(174,291)
Total assets less current liabilities	(196,852)	(174,287)
Non-current liabilities		
Other borrowings	30,000	28,000
Bond payables	9,000	–
	39,000	28,000
NET LIABILITIES	(235,852)	(202,287)
Capital and reserves		
Issued capital	4,800	4,800
Reserves (note)	(240,652)	(207,087)
TOTAL EQUITY	(235,852)	(202,287)

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER *(continued)*

Note: A summary of the Company's reserves is as follows:

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	48,873	1,488	(175,525)	(125,164)
Loss and total comprehensive loss for the year	–	–	(81,923)	(81,923)
At 31 December 2020 and 1 January 2021	**48,873**	**1,488**	**(257,448)**	**(207,087)**
Loss and total comprehensive loss for the year	**–**	**–**	**(33,565)**	**(33,565)**
At 31 December 2021	**48,873**	**1,488**	**(291,013)**	**(240,652)**

41. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2022.