中薇金融
CHINA VÊRED FINANCIAL

China Vered Financial Holding Corporation Limited
中薇金融控股有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 245

2021
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Tomohiko Watanabe
(Chairman and Chief Executive Officer)
Ni Xinguang *(Vice Chairman)*
Li Wei (Appointed as Acting Chief Executive Officer with effect from 13 December 2021)
Li Feng *(Deputy Chief Executive Officer)* (Appointed on 15 March 2022)

Non-executive Directors

Zhang Boyang (Appointed on 26 November 2021)
Zhang Yang (Resigned on 15 March 2022)

Independent Non-executive Directors

Zhou Hui
Wang Yongli (Resigned on 15 March 2022)
Dong Hao
Wen Yuanhua (Appointed on 15 March 2022)

AUDIT COMMITTEE

Zhou Hui *(Chairperson)*
Wang Yongli (Resigned on 15 March 2022)
Dong Hao
Wen Yuanhua (Appointed on 15 March 2022)

NOMINATION COMMITTEE

Tomohiko Watanabe *(Chairman)*
Wang Yongli (Resigned on 15 March 2022)
Zhou Hui
Dong Hao
Wen Yuanhua (Appointed on 15 March 2022)

REMUNERATION COMMITTEE

Wang Yongli *(Chairman)* (Resigned on 15 March 2022)
Wen Yuanhua *(Chairman)* (Appointed on 15 March 2022)
Zhou Hui
Dong Hao

COMPANY SECRETARY

Wong Wai Yee Ella

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
China Merchants Bank, Hong Kong Branch
China Minsheng Bank, Hong Kong Branch
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Industrial Bank Co., Ltd., Hong Kong Branch
Cathay Bank, Hong Kong Branch
Far Eastern International Bank, Hong Kong Branch

SOLICITORS

Hong Kong Law
Herbert Smith Freehills

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

22/F, China Taiping Tower
8 Sunning Road
Causeway Bay
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

245 HK

WEBSITE

www.chinavered.com

Tomohiko Watanabe
Chairman

Dear Shareholders,

In 2021, the effect of COVID-19 pandemic on the economy has continued, hence global recovery is still facing huge challenges. During the year, based on the macroeconomic changes, the Company further clarified the strategic direction of "investment + investment banking" and business structure, optimised general asset allocation and specifically improved the previous weaknesses, shortcomings and potential operational threats of the Company to lower its overall operation risk. Meanwhile, the Company completed domestic and foreign general operation adjustment as well as capital reduction, laying a solid foundation for achieving better return for all Shareholders during the year.

In addition, the Company optimised internal organisation structure and further enhanced division of labour of the management. The Company also takes note of the increasing importance of ESG of listed companies in recent years and in response to the trend, it has incorporated relevant philosophies to corporate governance, and it has set up task forces to elevate its corporate governance standard.

In 2021, although the operating revenue of the Company slightly decreased, the Company had achievements in previous foreign deployment, sizable fund operations in cooperation with renowned market institutes, rationalisation of equity asset allocation, substantial breakthrough in the cross-border business, increase in asset under management and development of buy-side and sell-side integrated business.

CHAIRMAN'S STATEMENT

I. NEW BEGINNING OF THE GROUP'S OPERATIONS

In 2021, the Company tidied up domestic and foreign operating entities of the Group and restructured underperforming or loss-making subsidiaries. After the restructure, the listed Group focuses on financial business and reduces operation costs, which leads to enhance momentum for alleviating burden and increasing efficiency.

Since the appointment of new management team, the Group has achieved profit in operating results for two consecutive years. To enhance investors' confidence and reward all shareholders as soon as possible, the Company has completed capital reduction during the year and set off the accumulated loss generated in previous fiscal years. The Group embarked on a new journey.

II. INITIAL ACHIEVEMENTS IN DOMESTIC AND FOREIGN DEPLOYMENT

Since 2020, the Company has been actively developing the business in Mainland China, Japan and Canada. During 2021, operations in Mainland China have been thriving. Business integration of buy-side and sell-side businesses were realised and the first transaction utilising the Group's domestic and foreign connection has also been achieved. Meanwhile, business model of cooperating with renowned institutions for joint management of funds has been formed, and several industry investment funds are under preparation. The Company's subsidiary in Japan has achieved breakthrough in fund operations. It had established its first real estate fund during the year and completed fund-raising targeting from institutional investors. It also submitted its application for registration of investment management business during the year. The Company's subsidiary in Canada has been accepted as dealer member of the Investment Industry Regulatory Organisation of Canada during the year and has been achieved a certain scale of asset management business for high net worth clients. It is actively expanding its markets and diversifying its products.

III. SIGNIFICANT ENHANCEMENT IN ACTIVE MANAGEMENT CAPABILITY

In 2021, the Group had strived to enhance its professional and active management abilities to continuously improve business quality and investment and research capacity. Meanwhile, during the course of business development and execution, the Group aimed at issuing actively managed products and establishing deeper collaboration with renowned institutions of the industry. The Group has established a number of co-managed funds, focus on pioneering areas such as healthcare, new energy and high-end manufacturing.

IV. EFFECTIVE RISK MANAGEMENT OF INVESTMENT ASSETS

Due to the reforms, the real estate industry has been experiencing an obvious downward trend in 2021, resulting in a significant increase in industry risk. Based on the Group's assessment on the real estate industry and the strategy of reducing fixed-income investment exposure, the Group focused on enhancing the awareness of risk management and actively disposed assets with potential risk. From a risk aversion perspective, its performance has been above industry average.

V. INTRODUCTION OF TALENTS AND A MORE COMPETITIVE COMPENSATION SYSTEM

In 2021, the Company had pro-actively recruited talents based on its strategic direction and business positioning, with the focus on improving the investment banking capability, investment research capability and risk management capability. The Company strived to establish a remuneration system combining equity and cash bonuses to give full effect of such incentive system, so that the Company can "attract, retain and make full use" of talents.

PROSPECT FOR 2022

In 2022, global economy has remained affected by the COVID-19 pandemic. The outbreak of the pandemic in Hong Kong at the start of the new year posed concerns over Hong Kong's economy. In addition, with expected rate hike of the U.S. and the downward trend of economic indicators in the PRC, there are uncertainties in the international economy. However, the construction of equity market is an inevitable outcome of development in history. The reforms introduced by new economy and new industry sectors will contribute to the advancement of the society, while there are still plenty of opportunities in conventional investment banking business.

In 2022, the Group will focus on enhancing its asset management and wealth management capabilities, continue to increase the assets under management in China, Japan, Hong Kong and Canada, accelerating the process of utilising financial licenses and promoting business collaborations in the above four regions. The Group will facilitate the collaboration of asset management business and capital-based business, improve its fundraising capability and increase leverage levels as appropriate. The Group will also commence research on new business initiatives and proactively increase the level of financial technology to enhance corporate value. Transformation and upgrade of the Group's security brokerage business will be regarded as a major topic for research and implementation to enhance user experience. The Company will leverage on its flexible performance appraisal mechanism to make the best use of talents. The Company will also comprehensively enhance customer service capability and explore business opportunities as an intermediary to enlarge the core customer base of the Group.

On top of the foundations and investment made in 2021, the Company will further achieve a comprehensive upgrade of its corporate governance, business model, corporate culture and other aspects, and strive to create more value for all shareholders.

Tomohiko Watanabe
Chairman

Hong Kong, 19 September 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2021, the effect of COVID-19 pandemic on global economy has faded, yet global recovery is still facing huge challenges. In 2021, major economies achieved larger economic growth. In particular, economic growth in the U.S. reached 5.7%, which is the highest value since 1984. The PRC achieved economic growth of 8.1%, basically as expected. The European Union, Japan, the U.K. and India also achieved growth. After two consecutive years of recession, the Hong Kong economy has benefited from the revival of external demand and recovery in consumption in 2021, hence recorded a remarkable growth of 6.4%, but still below that of the level in 2018.

In respect of the financial market, the past 2021 was the most active year for the global IPO market over the past 20 years. A total of 2,388 corporations were listed around the world, raising US$453.3 billion. Compared with the corresponding period of 2020, the amount of IPO and funds raised increased by 64% and 67%, respectively. The Hong Kong market underperformed during the same period, which has been sluggish throughout the year. The Hang Seng Index has hit its peak in the beginning of the year, yet it has been declining since February 2021. A sharper drop by 19% was recorded in the second half of the year. The market was once optimistic towards Hang Sang TECH Index, but then the index has lost some momentum, recording a cumulative decline of 32.7% throughout the year.

Listing of new shares has been seriously affected by the sluggish market. Throughout 2021, the Stock Exchange of Hong Kong Limited (the "Stock Exchange") recorded a year-on-year decrease of 35% and 19% in the number of IPO listings and the funds raised, respectively. Hong Kong fell out of the world's top three in terms of the amount of funds raised for the first time since 2012. According to the statistics of Wind Information, in 2021, the number of new stock listings in Hong Kong recorded a significant decline as compared with prior years. From the first to the fourth quarter in 2021, there were 31, 14, 27 and 24 new stocks listed on the main board of the Stock Exchange respectively, while at the corresponding period of 2020, there were 37, 22, 40 and 47 new stocks listed respectively.

Despite downward pressures, there are still some highlights in the Hong Kong IPO market. Among which, China concept stocks had been one of the key pillars of the Hong Kong IPO market in 2021. Among the top 10 Hong Kong IPOs in 2021, 3 of which are unicorn corporations and 5 of which are the return of China concept stocks, accounting for over 90% of the top ten positions in terms of the amount of fund raised. In addition, IPO of biotech and healthcare companies achieved outstanding performance with a total of 33 biotech and healthcare companies listed in Hong Kong in 2021. Among the new listings from the various industries in the Hong Kong stock market in 2021, the biotechnology and healthcare industry ranked first in terms of IPO deals and second in terms of the amount of funds raised.

The bond market had been a bright spot compared to the stock market. The number of new bond listings achieved a record high level of 508, representing an increase of 18% as compared with 2020. Total fund-raising amount of the bonds listed throughout the year reached HK$1.55 trillion. In addition, Hong Kong's new listing of green and sustainability-related bonds significantly increased from 18 in 2020 to 95 in 2021. As at December 2021, bonds listed on the Stock Exchange reached 1,747 with market size of nearly HK$6.3 trillion. In the secondary market, trading amount of listed bonds has also been active during last year, reaching a record high level of trading amount of HK$104.2 billion throughout the year. From the period of 2015 to 2021, the CAGR of the trading amount of listed bonds reached 41% in the secondary market .

BUSINESS REVIEW

Looking back on 2021, the Company continued to focus on "deployment + investment" under the persistence of the pandemic. The Company had nailed down its own strategic position and operational direction according to policy changes, changes in economic condition and diverging market trend and continued to optimise structure of asset allocation to increase the proportion of equity investments.

In terms of asset allocation, the proportion of fixed-income assets decreased compared with 2021 while the proportion of equity assets significantly increased. Proportion of equity and fixed-income assets has become more reasonable.

Meanwhile, as the bonds invested in early days reached maturity in 2021, the short term liquidity of the Company has improved. Proportion of assets held by the Group that will mature over 6 months significantly decreased as compared to the end of 2020, and proportion of assets that will mature within 6 months significantly increased. In addition, due to structural adjustment of its asset allocation, the proportion of the Group's assets that will mature over 3 years slightly increased.

In 2021, the Company focused on the enhancement of professional capabilities such as investment and research capacity, customer acquisition capacity, asset management ability and recruitment of relevant business talents. Through cooperation with peers of the market, proactive participation in project development and launching active management products, as of the end of 2021, the proportion of actively managed assets significantly increased as compared to the end of 2020, achieving multiple breakthroughs at the business level.

In view of the downward trend of the real estate industry, in 2021, the Company strictly adhered to "double reduction" strategy formulated in the beginning of the year, i.e. "cutting down fixed-income asset proportion" and "lowering concentration risk associated with real estate sector", and strategically and intentionally disposed of assets with potential risk before the risk is realised. Despite increased proportion of "secondary" and "concerned" assets as compared with 2020, business operations have not been materially and adversely affected.

In terms of investment banking business, the Group had served as the joint global coordinator, underwriter, joint bookrunner and joint lead manager for many times, and has successfully assisted a number of institutions in listing on Hong Kong stock market or issuance of US$ bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

The Hong Kong economy achieved significant growth in 2021. It is expected that growth momentum will continue in 2022, however, the pace of growth is subject to various uncertainties, particularly in relation to the development of the pandemic in Hong Kong. This wave of pandemic in the beginning of 2022 and the tightening of anti-epidemic measures posed new pressure to economic activities.

Hong Kong's export is expected to benefit from global economic recovery, yet the pace of recovery in 2022 may slow down. Inflation of a few major economies could remain at high levels due to bottleneck in the supply chain and relevant adjustments under persistent development of the global pandemic, hence increasing local inflationary pressure. Accordingly, major central banks may accelerate the tightening of monetary policies, thus affecting the global economy and financial markets volatility.

Meanwhile, the intensification of US-China competition and rivalry will lead to further economic reform of the PRC and breakthrough in key areas of hard and core technology. New opportunities will arise in new energy, new materials, military industry and carbon peaking and carbon neutrality and other related industries. The Company will adopt to changes in market trends and adjust its business strategies.

The Company will continue its prudent strategic development direction to expand its business scale, strengthen its own strength, improve its financial performance, and create greater value for its customers, shareholders and business partners, and to provide its customers with a full range of professional financial solutions and quality services as its strategic goal, and proactively explore transformation and upgrade in the FinTech field, and strive to become an international professional financial services institution with market influence. Meanwhile, we will continue to expand its business in Mainland China, Japan and Canada, etc. to improve our financial management capabilities and asset utilisation as well as investment research capabilities, and provide a full range of financial services to high net worth clients and quality enterprises of mainly Chinese descend. In addition, the Company will further enhance professional capabilities such as investment research, active management, product design, direct client acquisition for comprehensive improvement of customer service.

Looking forward, "Setting a Foothold in Hong Kong, Covering Asia, Focusing on the Future Globalisation Process" as its long-term goal, the Company will rely on the position of Hong Kong as an international financial centre to seize the opportunities arising from the economic integration of Greater Bay Area, and the connection between the capital markets of China and Hong Kong, proactively expand and build up the service capabilities in asset management and investment banking businesses and explore the increased use of technology in its business model. The Company will grasp market opportunities for steady business expansion, hence maximising the interests of all our shareholders and investors.

FINANCIAL REVIEW

For the year ended 31 December 2021, the consolidated revenue of the Group was approximately HK$302,540,000 (2020: HK$318,327,000), representing a slight decrease of approximately 5% as compared with the corresponding period last year.

The analysis of the Group's total revenue recognised in the consolidated statement of profit or loss is as follows:

For the years ended 31 December 2021 and 2020

	2021 **HK$'000**	2020 HK$'000	Change
Interest income	**219,155**	273,653	(20)%
Commission and fee income	**69,841**	28,570	144%
Investment income	**13,544**	16,104	(16)%
Total revenue	**302,540**	318,327	(5)%

The Group recorded a profit of approximately HK$70,180,000 for the year ended 31 December 2021 (2020: profit of HK$322,291,000), which was mainly due to the net effects of the following factors:

(i) a significant increase in impairment for financial assets with amount of approximately HK$496,587,000 for the year ended 31 December 2021 (2020: HK$20,103,000); and

(ii) an increase in net gain on investments with amount of approximately HK$455,033,000 recorded for the year ended 31 December 2021 (2020: net gain of HK$357,098,000).

The total operating costs (including staff costs, premises expenses, finance costs, trading costs and other operating costs) for the year ended 31 December 2021 was approximately HK$146,026,000 (2020: HK$266,018,000), representing a decrease of approximately 45% which was due primarily to the effective cost control measures implemented by the Group on the overall operating expenses for the year ended 31 December 2021.

On financial position and cash flows:

— the Group's total assets were approximately HK$5,467,773,000 as at 31 December 2021 (as at 31 December 2020: HK$6,187,043,000), representing a decrease of approximately 11.6%; and

— net cash inflows/(outflows) from operating activities, investing activities and financing activities were approximately HK$501,616,000, HK$(2,765,000) and HK$(350,962,000) respectively for the year ended 31 December 2021 (2020: HK$(1,493,533,000), HK$(10,667,000) and HK$(11,134,000) respectively).

Key financial and business performance indicators

The key financial and business performance indicators of the Group are comprised of profitability; loan receivables; impaired loan receivables to total loan receivables ratio; and gearing ratio.

The Group recorded a profit attributable to owners of the Company of approximately HK$71,189,000 for the year ended 31 December 2021 as compared to approximately HK$323,452,000 for the year ended 31 December 2020.

Loan and interest receivables balance arising from lending business decreased to approximately HK$124,588,000 as at 31 December 2021 (as at 31 December 2020: HK$179,801,000).

Based on HKFRS 9 Expected Credit Losses ("ECL") assessment on margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables, the Group recognised an aggregate expected credit losses allowance of approximately HK$496,587,000 in consolidated statement of profit or loss for the year ended 31 December 2021 (2020: HK$20,103,000). Expected credit losses allowance to total margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables ratio was approximately 49.7% as at 31 December 2021 (as at 31 December 2020: 16.5%). The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its loan receivables and to take prompt actions to pursue loans recovery regarding potential problem credits.

As at 31 December 2021, the Group's gearing ratio (total debt to total equity) was approximately 3.5% (2020: 9.9%). The Group strives to achieve appropriate leverage level in order to grow its business effectively, and at the same time continue to monitor its liquidity prudently, manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's cash and bank balances (excluding pledged bank deposits) amounted to approximately HK$780,823,000 (as at 31 December 2020: HK$626,976,000). The current ratio as at 31 December 2021 was approximately 547.0% (as at 31 December 2020: 342.4%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient financial resources for the Group to meet its obligations and business requirements.

OPERATIONAL REVIEW

Funding, capital structure and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and to generate reasonable returns from available funds.

The Group relies principally on its share capital, internally generated capital and other borrowings to fund its investments and loan lending business. The Group's interest bearing borrowings in the form of margin payables, repurchase agreements and loan payables amounted to approximately HK$172,353,000 as at 31 December 2021 (as at 31 December 2020: HK$523,915,000). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of approximately 3.5% as at 31 December 2021 (as at 31 December 2020: 9.9%). The Group's borrowings are mainly denominated in US dollars, and have remaining average maturity periods of around one year. The Group's cash and cash equivalents are mainly denominated in US dollars, Renminbi, Japanese Yen, Canadian dollars and Hong Kong dollars. There were no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments by the Group during the year under review.

Asset quality and credit management

The Group will continue to manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management. Based on HKFRS 9 ECL assessment on loan and interest receivables, margin receivables, financial assets at amortised cost, financial assets at fair value through other comprehensive income classified as debt instruments and other interest receivables, the Group recognised a provision for/(reversal of) expected credit losses allowance of approximately HK$36,632,000, HK$(31,000), HK$98,559,000, HK$345,844,000 and HK$15,583,000 respectively in consolidated statement of profit or loss for the year ended 31 December 2021 (2020: HK$(25,236,000), HK$8,945,000, HK$227,000, HK$36,167,000 and HK$Nil respectively).

Furthermore, the Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its financial assets. Further, the Group's investments and cash and bank balances are placed with a diversified portfolio of reputable financial institutions.

Human resources management

The objective of the Group's human resources management is to reward and recognise well performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills. To implement social distancing, the Group tried to keep the indoor or outdoor social and recreational activities to a minimum resulting from the prevalence of COVID-19 pandemic in Hong Kong during the year ended 31 December 2021.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency, which is Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency should the need arises.

STAFF AND REMUNERATION POLICY

As at 31 December 2021, the Group has 83 employees (as at 31 December 2020: 77 employees).

The employees are remunerated based on their work performances, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

CHARGES ON GROUP'S ASSETS

The analysis of the charge on Group's assets is as follows:

	2021 HK$'000	2020 HK$'000
Financial assets at fair value though profit or loss	**132,977**	510,373
Financial assets at fair value through other comprehensive income	**72,573**	747,857
Financial assets at amortised cost	**45,145**	135,064
Pledged bank deposits	**–**	328
Total charges on Group's assets	**250,695**	1,393,622

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost are bonds and stocks pledged as collateral for the Group's borrowings.

Deposits at bank were pledged as security for a corporate card granted to a director of the Group as at 31 December 2020.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 December 2021 and 2020 are set out in note 34 to the consolidated financial statements.

CAPITAL COMMITMENTS

The Group has entered into a contract to commit investing into an unlisted investment fund. The non-cancellable capital commitment as at 31 December 2021 is approximately HK$442,935,000 (as at 31 December 2020: HK$15,979,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2021, the Group disposed of 100% equity interest in Vered Asset Management Limited (formerly known as CM Securities Asset Management Limited) to Vered Holdings (Hong Kong) Limited, a related company of the Group. The Group also disposed of a group of subsidiaries to an independent third party.

On 15 March 2021, JBC Holdings Co., Ltd ("JBC"), a wholly-owned subsidiary of the Group at the material time, and Vered Holdings Co., Ltd ("Vered Japan"),a related party of the Group, entered into a subscription agreement, pursuant to which Vered Japan subscribed for 8,648 ordinary shares of JBC. The subscription constituted a deemed disposal and the percentage of equity interests in JBC held by the Group was reduced from 100% to approximately 50.997%.

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group had investments in financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost with an aggregate carrying amount of approximately HK$3,859,153,000 (as at 31 December 2020: HK$4,809,020,000). The details of significant investments (each of which carrying value more than 3% of the total assets of the Group) as at 31 December 2021 are as follow:

Name of investee company/fund	Nature of investments	Investee's principal businesses	Number and percentage of shares/ units held	Investment costs HK$000	Fair value/ Carrying value as at 31 December 2021 HK$000	Percentage of Group's total assets as at 31 December 2021	Unrealised gain/(loss) on change in fair value for the year ended 31 December 2021 HK$000	Realised gain/(loss) for the year ended 31 December 2021 HK$000
eToro Group Ltd.	Investment in unlisted preferred shares^	Social investment trading network	1,196,438 (6.89%)	385,508	1,265,471	23.1%	612,883	9,425
Oakwise Innovation Fund SPC-SP3 (Note 1)	Investment in unlisted investment fund*	A diversified portfolio of investments, including but not limited to debt securities and equity securities	727,485 (82.25%)	564,150	317,348	5.8%	–	–
Wison (Nantong) Heavy Industry Co., Ltd.	Investment in unlisted shares^	Marine engineering	Not applicable (4.75%)	298,167	314,652	5.8%	20,053	–
Trenda International Opportunities Fund (Note 2)	Investment in unlisted investment fund^	Investment in unlisted bond	19,000 (100.00%)	147,273	167,796	3.1%	18,697	–
*Other significant investments as disclosed in 2020*Ω								
Kaisa Group Holdings Ltd.	Investment in listed bond#	Real estate	336,000 (Not applicable)	266,964	70,717	1.3%	(21,111)	(1,427)
Yango Justice International Ltd.	Investment in listed bond#	Real estate	210,000 (Not applicable)	163,593	42,720	0.8%	(39,617)	1,451
Zensun Enterprises Ltd.	Investment in listed bond#	Real estate	–	–	–	–	1,314	318

^ Classified as financial assets at fair value through profit or loss

* Classified as financial assets at fair value through other comprehensive income

\# Classified as financial assets at fair value through profit or loss/financial assets at fair value through other comprehensive income

Ω Also included treasury bonds reverse repurchase which were fully disposed during the current reporting period with no gain or loss recognised

Note 1: The fund was managed by a licensed asset manager which is an independent third party of the Group. According to the financial information of the fund, it was noted that the underlying assets included a substantial part of investments in listed equity securities under banking and finance sector and remaining part of investment in a loan receivable due from Wison Group Holding Limited, the investments of which were made by the independent asset manager of the fund.

Note 2: The fund was managed by another licensed asset manager which is an independent third party of the Group. According to the financial information of the fund, it was noted that the main underlying assets included an unlisted bond issued by Wison Group Holding Limited, the investment of which was made by the independent asset manager of the fund. Subsequent to 31 December 2021, the Group has requested for redemption of the fund and completed redemption with an overall realised gain of approximately HK$11,641,000 on the investment in the fund.

To the best knowledge of the Company, the investee companies and the counterparties of underlying investments in the funds as disclosed in the significant investments above, including Wison Group Holding Limited and Wison (Nantong) Heavy Industry Co. Ltd. which are the affiliates of a minority shareholder of the Company's major shareholder, are not connected persons of the Company.

The Group's investment objective is to increase the value of its investment holding business in order to enhance returns for its shareholders. Through a risk-balanced investment strategy of targeting an appropriate mix of different types of investment instruments in its portfolio, including but not limited to listed equity securities which provide liquidity and capital appreciation, debt securities and interest-bearing instruments which provide recurring and stable stream of interest income, and unlisted equity and fund investments which provide a potential higher return in a medium to long term horizon, the Group seeks not only to widen its source of revenue, but also to achieve risk adjusted return in its overall investment portfolio.

Looking ahead, the stock market is expected to remain volatile. The performance of proprietary investment will be affected by unstable market conditions. The Group will continue to implement strict risk control to minimise the impact of market volatility and will seek potential investment opportunities to diversify its investment portfolio with an aim to maximise value for the shareholders of the Company.

The Directors are pleased to present their report and audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

The Group's revenue is mainly derived from business activities in Hong Kong, Mainland China and Japan. An analysis of the Group's revenue is set out in note 6 to the consolidated financial statements.

Particulars of the Company's major subsidiaries as at 31 December 2021 are set out in note 17 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to various key risks including credit risk, interest rate risk, liquidity risk, operational risk and market risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 3 "Financial Risk Management" to the consolidated financial statements included in this annual report.

The Group's long term profitability and business growth are affected by the volatility and uncertainty of macroeconomic conditions (including but not limited to gross domestic product growth, consumer and asset price indexes, and credit demand), financial volatility (exacerbated by the recent Brexit impact and divergent monetary policies of United States and other countries), and uncertain economic outlook and political conditions of Hong Kong, Mainland China, United States, Eurozone, Japan, Canada and other countries. The divergence of monetary policies in major advanced economies is expected to continue to contribute partly to the volatility of fund and trade flows and that of asset prices and economic growth momentum in Hong Kong and Mainland China. Financial risk could quickly spill over from one to another nation given their increasing economic and political ties amongst each other. In particular, the potential impact on economic activities and on property, stock and debt prices of Hong Kong are subject to political and economic developments of Mainland China, United States, Eurozone, Japan, Canada and other countries.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of its business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party providers and closely monitors their performance.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the section headed "Management Discussion & Analysis". No significant event affecting the Group has occurred since the end of the financial year under review.

The Group complies with the requirements under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group.

The Group is committed to raising environmental awareness among its staff, partners, and stakeholders. It implemented energy saving practices in certain office premises. For example, the Group runs an internal recycling program on a continuous basis for consumable goods such as toner cartridges to minimise the impact on the environment and natural resources. The Group has taken the initiative to reduce energy use and waste, to use environmentally friendly products and aims to lead by example.

Going green will always continue to be a key focus for the Group. Green plants are kept in office and plant care service provider is responsible to take care of the plants every week. The Group currently uses and will continue to install lighting fixtures with LED lighting or T5 fluorescent tubes. Indoor temperature is maintained at 25°C to save energy.

The Group will review its environmental policies from time to time and will consider further eco-friendly practices in the operation of the Group's businesses to move towards enhancing environmental sustainability.

Further discussions on the Group's environmental policy and our relationship with various stakeholders are covered by the "Environmental, Social and Governance Report" section on pages 46 to 67 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with business partners to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to business partners before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 78 to 79 of this annual report.

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2021 (2020: HK$Nil).

ANNUAL GENERAL MEETING

The 2022 annual general meeting of the Company (the "AGM") was held on 29 June 2022. Due to the delay in the publication of the audited consolidated financial statements of the Group and the reports of the Directors and of the independent auditor for the year ended 31 December 2021, the resolution to consider and approve the aforesaid documents will be transacted in the adjourned annual general meeting of the Company. Details of the adjourned annual general meeting of the Company as referred to in the announcement of the Company dated 29 June 2022 will be announced in due course.

SHARES CAPITAL

Details of the shares are set out in note 30 to the consolidated financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2021, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), amounted to HK$Nil (2020: HK$Nil).

DONATIONS

Charitable and other donations amounted to HK$42,000 were made by the Group during the year. In 2020, the Group donated 500,000 pairs of medical face masks for battling against the pandemic.

FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarised on page 172 of this annual report.

DIRECTORS OF THE COMPANY

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Tomohiko Watanabe *(Chairman)*
Ni Xinguang *(Vice Chairman)*
Li Wei (Appointed as Acting Chief Executive Officer with effect from 13 December 2021)
Li Feng *(Deputy Chief Executive Officer)* (Appointed on 15 March 2022)

Non-executive Directors

Zhang Boyang (Appointed on 26 November 2021)
Zhang Yang (Resigned on 15 March 2022)

Independent Non-executive Directors

Zhou Hui
Wang Yongli (Resigned on 15 March 2022)
Dong Hao
Wen Yuanhua (Appointed on 15 March 2022)

The persons who were directors of the subsidiaries of the Company during the year (not including those Directors listed above) were:

Cai Zaoping (Until 5 November 2021*)
Chen Xiao
Chen Xiaoyan (Until 5 November 2021*)
Cheng Song Guo
Guo Yanming (Appointed on 24 September 2021)
Guo Yifan
Han Qian (Until 5 November 2021*)
He Wenzhong (Until 22 October 2021#)
He Zhun (Appointed on 22 July 2021)
Kong Suet Long (Appointed on 22 July 2021)
Lau Hoi Leung (Appointed on 22 July 2021)
Lau Tak Wa (Resigned on 23 July 2021)
Lee Nelson Ho Wing (Resigned on 24 March 2022)
Li Man Kiu
Li Zhan (Appointed on 28 September 2021)
Lin Dong (Until 5 November 2021*)
Lin Wei (Until 22 October 2021#)
Liu Junliang
Liu Tianfeng (Until 5 November 2021*)
Liu Yiping (Until 5 November 2021*)
Lu Zheng Xiong
Lui Siu Man
Mak Tsz Yeung (Appointed on 22 July 2021)
Ni Mei-Xiu (Until 5 November 2021*)
Qiao Sandong
Shen Zhaoyu (Until 5 November 2021*)
Song Pengcheng (Appointed on 24 May 2021 and resigned on 2 June 2022)
Song Zhengtang (Removed on 24 May 2021)
Sui Yuwei (Until 5 November 2021*)
Takuya Komuro
Wang Bing (Until 5 November 2021*)
Wang Weiqi (Until 5 November 2021*)
Wang Yi Peng
Wang Yuehui
Wei Jian (Removed on 23 July 2021)
Wei Wenjun (Until 5 November 2021*)
Xi Chenxing (Until 5 November 2021*)
Xie Fang (Appointed on 28 May 2021)
Xu Jiashu (Until 22 October 2021#)
Xu Lixia (Until 22 October 2021#)
Yu Liang (Appointed on 22 July 2021)
Zhang Miaoyao
Zhang Chao
Zhang Ruichen (Until 5 November 2021*)
Zhao Yue

* The relevant subsidiary(ies) of which he/she was appointed as director was disposed of on 5 November 2021.
\# The relevant subsidiary(ies) of which he/she was appointed as director was disposed of on 22 October 2021.

DIRECTORS' PROFILES

Directors' profiles are set out on pages 42 to 45 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, namely Mr. Wang Yongli, Ms. Zhou Hui and Mr. Dong Hao an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

For the executive Directors, Mr. Tomohiko Watanabe entered into a service contract (as amended and supplemented by the supplemental contract dated 26 November 2021) with the Company for an initial term of three years with effect from 18 February 2019. Mr. Ni Xinguang entered into a service contract with the Company for a period of two years commencing from 1 April 2008 which has expired on 31 March 2010. Mr. Ni has not entered into any new written service contract with the Company but is subject to retirement by rotation in accordance with the Articles. Ms. Li Wei entered into a service contract (as amended and supplemented by the supplemental contract dated 15 December 2021) with the Company for an initial term of three years with effect from 30 July 2018. Mr. Li Feng entered into a service contract with the Company for an initial term of three years with effect from 15 March 2022. For the non-executive Directors, Mr. Zhang Boyang entered into a service contract with the Company for a term of three years with effect from 26 November 2021. For the independent non-executive Directors, Ms. Zhou Hui entered into an appointment letter with the Company for a term of three years with effect from 21 March 2019. Mr. Dong Hao entered into an appointment letter with the Company for a term of three years with effect from 27 December 2019. Mr. Wen Yuanhua entered into an appointment letter with the Company for a term of three years with effect from 15 March 2022.

No Director proposed for re-election at the 2022 AGM has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

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

As at 31 December 2021, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of Director	Number of ordinary shares held Personal interests	 Corporate interests	Total	Percentage of the issued share capital *(Note (b))*
Ni Xinguang ("Mr. Ni")	46,068,000	416,004,000 *(Note (a))*	462,072,000	1.33%

Notes:

(a) 416,004,000 shares were owned by Group First Limited, a private company wholly owned by Mr. Ni, representing approximately 1.20% of the issued share capital of the Company. By virtue of the SFO, Mr. Ni is deemed to have interest of the shares held by Group First Limited. There has been no change to such interest of Mr. Ni from 31 December 2021 to the date of this report.

(b) The percentage was calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021 and the date of this report, none of the Directors or chief executives of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2021, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered during the year or subsisting at the end of the year are set out below:

Share Options

The Company adopted a share option scheme on 9 December 2013 (the "2013 Share Option Scheme") to replace the share option scheme adopted on 28 May 2004 (the "2004 Share Option Scheme"). Since then, no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

There was no outstanding option held under 2004 Share Option Scheme and 2013 Share Option Scheme as at 31 December 2021.

Details of the 2013 Share Option Scheme are listed below in accordance with Rule 17.09 of the Listing Rules:

Purpose of the 2013 Share Option Scheme:	The purpose of the 2013 Share Option Scheme is to enable the Company to grant options (the "Options") to selected Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group or any entity in which the Group holds an equity interest (an "Invested Entity"). The Company considers that the Invested Entity may contribute to the Group's profits. The Company also considers that the granting of the Options to the employees, directors, officers or consultants of the Invested Entity would provide an incentive for their contribution to the Invested Entity which indirectly benefits the Group.
Eligible Participants (each, an "Eligible Participant", and collectively, the "Eligible Participants"):	Any full time or part time employees of the Group or any Invested Entity (including any Directors, whether executive or non-executive and whether independent or not, of the Company or any Subsidiary or any Invested Entity); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity.

Maximum entitlement of each Eligible Participant:	The total number of shares issued and to be issued upon exercise of the Options granted to each Eligible Participant or grantee (including exercised and outstanding Options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where approximate, an existing grantee) which would result in the shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the twelve (12)-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting.
The amount payable on application or acceptance of the Option and the period within which payments or calls must be made or loans for such purposes must be paid:	HK$1.00 is to be paid by each grantee as consideration for the grant of Option within 21 days from the date of offer.
Remaining life of the 2013 Share Option Scheme:	The 2013 Share Option Scheme shall be valid and effective for the period commencing from 9 December 2013 and expiring at the close of business on its tenth (10th) anniversary i.e. 9 December 2023.

Further details of share options were stipulated in note 33 to the consolidated financial statements.

Apart from the aforesaid, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries or its fellow subsidiaries, or its parent company or its other associated corporations a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SHARE AWARD PLAN

On 19 December 2018, the Company adopted a share award plan ("Share Award Plan"). The purpose of the plan is to recognise and reward the contributions of certain eligible participants to the growth and development of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

No shares have been granted under the Share Award Plan up to the date of this report.

Details of the Share Award Plan are set out in the Company's announcement dated 19 December 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' MATERIALS INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Apart from the particulars disclosed in note 36 under the heading "Related Party Transactions" to the consolidated financial statements, there were no transaction, arrangement and contract of significance in relation to the Group's business to which the Company's holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and the director's connected party had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 36 to the consolidated financial statements.

Connected Transaction and Continuing Connected Transaction

During the year ended 31 December 2021, the Group has the following connected transaction and continuing connected transaction.

Asset Management

On 15 March 2021, JBC Holdings Co., Ltd ("JBC"), a wholly-owned subsidiary of the Company at the material time, and Vered Holdings Co., Ltd ("Vered Japan") entered into a subscription agreement, pursuant to which Vered Japan agreed to subscribe for 8,648 ordinary shares of JBC (representing approximately 49.003% of the enlarged equity interest in JBC) at the consideration of JPY86.48 million (equivalent to approximately HK$6.2 million at the date of announcement of the Company) (the "Subscription"). Completion of the Subscription took place on the same day.

Upon the completion of the Subscription, the percentage of equity interests in JBC held by the Company via China Vered Asset Management (Hong Kong) Limited ("CVAM") (a wholly owned subsidiary of the Company) was reduced from 100% to approximately 50.997%. Vered Japan is an indirect wholly-owned subsidiary of Vered Holdings Corporation ("Vered PRC") which held approximately 28.93% of shareholding in the Company on the date of Subscription. According to Rule 14A.13 of the Listing Rules, Vered Japan is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Rules 14A.25 of the Listing Rules and therefore JBC became a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules.

JBC, as an executing partner, would provide management services to JBC Fund I (the "Fund") and the Fund would pay certain management fees to JBC pursuant to the investment partnership agreement dated 24 March 2020 between CVAM Japan Strategy Limited (a direct wholly-owned subsidiary of (VAM) and JBC (the "Investment Partnership Agreement"). The provision of management services under the Investment Partnership Agreement to the Fund by JBC as executing partner and the payment of management fees by the Fund to JBC constitutes a continuing connected transaction under Rules 14A.25 and 14A.31 of the Listing Rules.

Pursuant to the Investment Partnership Agreement, the Fund would pay certain management fees to JBC pursuant, for each business year in the following amounts (each an annual amount) in cash in arrears (on the last Business Day of each quarter period (March, June, September, and December), beginning in June 2020:

(i) For the first business year, an amount equal to 1.5% of the total capital contribution of all Partners (prorated on the basis of a 365-day year);

(ii) For each of the second and subsequent business years until the business year in which the expiration date of the Commitment Period falls, an amount equal to 1.5% of the total capital contribution of all Partners; and

(iii) For each of the business years following the business year in which the expiration date of the Commitment Period falls, an amount equal to 1.5% of the Investment Amount as of the end of the preceding business year.

Pursuant to the announcement dated 15 March 2021, the annual caps for the maximum amount of fees payable by Fund to the Group for the period from 15 March 2021 to 31 December 2021, year ending 31 December 2022 and 31 December 2023 are JPY60 million, JPY60 million and JPY60 million, respectively.

During the period from 15 March 2021 to 31 December 2021, the fee paid or payable by the Fund to JBC amounted to approximately JPY48 million (equivalent to HK$3.4 million).

For further details, please refer to the announcements of the Company dated 15 March 2021 and 19 March 2021.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions above have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transactions

During the year ended 31 December 2021, the related-party transactions described in note 36 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules and have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the highest paid individuals of the Group are set out in note 11 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2021, so far as was known to the Directors, the following persons, other than the Directors and chief executives of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital *(Note (e))*
薔薇控股股份有限公司	Interest of controlled corporation *(Note (a))*	10,049,310,000	28.95%
薔薇控股(深圳)有限公司	Interest of controlled corporation *(Note (a))*	10,049,310,000	28.95%
Vered Holdings (Hong Kong) Limited ("Vered Hong Kong")	Interest of controlled corporation *(Note (a))*	10,049,310,000	28.95%
Vered Investment Co., Ltd ("Vered Investment")	Interest of controlled corporation *(Note (a))*	10,049,310,000	28.95%
Vered Holdings Group Ltd ("Vered Holdings")	Beneficial owner *(Note (a))*	10,049,310,000	28.95%
Liu Xueyi	Interest of controlled corporation *(Note (b))*	5,034,511,390	14.50%
Prosper Ascend Limited	Beneficial owner *(Note (b))*	5,034,511,390	14.50%
Zhao Xinlong	Interest of controlled corporation *(Note (c))*	3,500,000,000	10.08%
Hong Kong Baohui Toda Limited	Beneficial owner *(Note (c))*	3,500,000,000	10.08%
China Minsheng Investment Group Corporation Ltd.	Interest of controlled corporation *(Note (d))*	2,072,618,610	5.97%
China Minsheng Asia Asset Management Co, Ltd	Interest of controlled corporation *(Note (d))*	1,430,000,000	4.12%
	Beneficial owner *(Note (d))*	642,618,610	1.85%
CMI Financial Holding Company Limited	Interest of controlled corporation *(Note (d))*	1,430,000,000	4.12%
CMI Financial Holding Corporation	Beneficial owner *(Note (d))*	1,430,000,000	4.12%

Notes:

(a) 10,049,310,000 shares were held by Vered Holdings, which is wholly owned by Vered Investment, and which in turn is wholly owned by Vered Hong Kong. Vered Hong Kong is wholly owned by 薈薇控股(深圳)有限公司, which in turn is wholly owned by 薈薇控股股份有限公司.

(b) 5,034,511,390 shares were held by Prosper Ascend Limited, which is wholly owned by Mr. Liu Xueyi. By virtue of the SFO, Mr. Liu Xueyi was deemed to have interest in the shares held by Prosper Ascend Limited.

(c) 3,500,000,000 shares were held by Hong Kong Baohui Toda Limited, which is wholly owned by Mr. Zhao Xinlong. By virtue of the SFO, Mr. Zhao Xinlong is deemed to have interest in the shares held by Hong Kong Baohui Toda Limited.

(d) 1,430,000,000 shares were held by CMI Financial Holding Corporation, which is wholly owned by CMI Financial Holding Company Limited, and which in turn is wholly owned by China Minsheng Asia Asset Management Co, Ltd ("CM Asia"). CM Asia is wholly owned by China Minsheng Investment Group Corporation Ltd. CM Asia also directly holds 642,618,610 shares.

(e) The percentage has been calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 31 December 2021.

Save as disclosed above, the Directors and the CEO are not aware that there is any party who, as at 31 December 2021, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial Shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Options" and "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporation" above, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

RETIREMENT BENEFITS

MPF Scheme has been set up for employees, including executive Directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,500 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

COMPETING INTERESTS

None of the Directors and their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 December 2021 and up to the date of this report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the revenue attributable to the five largest customers of the Group accounted for approximately 34.80% of the Group's total revenue while the revenue attributable to the largest customer of the Group was approximately 9.61% of the Group's total revenue. The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

Save as disclosed above, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in the Group's 5 largest customers or suppliers.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2021, there was a sufficiency of public float the Company's securities as required under the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 7 June 2022, China Vered Asset Management (Hong Kong) Limited ("CVAM"), an indirect wholly-owned subsidiary of the Company, received a writ of summons ("the Writ of Summons") with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by Orient Finance Holdings (Hong Kong) Limited, as the plaintiff, against CVAM, as defendant. Details of the receipt of Writ of Summons are set out in the Company's announcement dated 10 June 2022. Subsequently, on 5 August 2022, Shareholder Value Offshore Fund was also included as a defendant. The Company is currently seeking legal advice regarding the above proceedings. Please refer to note 34 to the consolidated financial statements for disclosures on details of the legal case.

On 13 September 2022, an independent consultant has completed an independent investigation and issued a report. Please refer to note 19 to the consolidated financial statements for additional disclosures under section headed "Investment in Shareholder Value Offshore Fund". Details of the key findings of the independent investigation are set out in the Company's announcement on 13 September 2022.

AUDITOR

The auditor appointed by the Company in the past three years is PricewaterhouseCoopers.

AUDIT COMMITTEE

The Company established an audit committee (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 and internal controls of the Group. The Audit Committee currently comprises Ms. Zhou Hui (chairperson), Mr. Wen Yuanhua and Mr. Dong Hao.

An Audit Committee meeting was held on 16 September 2022 and attended by Ms. Zhou Hui, Mr. Dong Hao and Mr. Wen Yuanhua, who have reviewed the annual results for the year ended 31 December 2021.

By order of the Board
China Vered Financial Holding Corporation Limited
Tomohiko Watanabe
Chairman

Hong Kong, 19 September 2022

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

Throughout the year ended 31 December 2021, the Company has complied with most of the Code Provisions, save for the deviation of the Code Provision C.2.1 which are explained below.

According to Code Provisions C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Tomohiko Watanabe acts as both the chairman and the chief executive officer of the Company, with effect from 5 March 2019. Although the roles of the chairman and chief executive officer of the Company are taken up by the same individual, such arrangement facilitates the development and execution of the Group's business strategies and enhances efficiency and effectiveness of its operation.

Under the Code Provision F.2.2, the Chairman should attend the annual general meeting and he should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the Code Provision C.1.6, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. During the year ended 31 December 2021, the annual general meeting was held on 25 June 2021, and the whole Board and the auditor of the Company responsible for the audit of the Company's financial statements for the year ended 31 December 2020 have attended the meeting to answer questions of the Shareholders.

BOARD OF DIRECTORS

Functions and role

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Company's operation and financial performance. All of the appointed Directors are subject to rotation for re-appointment at the annual general meeting, and each of the Directors is subject to retirement by rotation at least once every three years. Appropriate and sufficient information was provided to each of the Directors to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Company.

The independent non-executive Directors are expressly identified in all corporate communications such as circular, announcement or relevant corporate communications in which the names of Directors are disclosed. Each of the independent non-executive Directors has filed an annual confirmation to the Company confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the independence guideline set out in Rule 3.13 of the Listing Rules and are independent.

To the best knowledge of the Company, there is no financial, business, family relationship among the members of the Board as at 31 December 2021. All of them are free to exercise their individual judgment.

CORPORATE GOVERNANCE REPORT

Composition

As at the date of this Report, the Board comprises eight Directors, of which four are executive Directors, one is non-executive Director and three are independent non-executive Directors. One of the three independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise, which complies with the requirement of the Listing Rules. The Directors' respective biographical information is set out in this annual report under the heading "Directors' Profiles" and the names of current Directors on Board and their positions are as follows:

Name of Directors	Position
Executive Directors	
Mr. Tomohiko Watanabe	Chairman and CEO
Mr. Ni Xinguang	Vice Chairman
Ms. Li Wei	Acting Chief Executive Officer
Mr. Li Feng	Deputy Chief Executive Officer
Non-executive Director	
Mr. Zhang Boyang	
Independent Non-executive Directors	
Ms. Zhou Hui	
Mr. Dong Hao	
Mr. Wen Yuanhua	

The Board held five Board meetings (including four regular Board meetings) during the financial year ended 31 December 2021. Appropriate and sufficient information was provided to the Board in a timely manner for their review before the meetings. Attendance of individual Directors at Board meetings is set out in the section of "Attendance of Board Meetings, Audit Committee Meetings, Nomination Committee Meetings, Remuneration Committee Meetings and Annual General Meeting in 2021".

Chairman and CEO

The positions and roles of Chairman and CEO are held and performed. Mr. Tomohiko Watanabe has been appointed as the CEO of the Company on 5 March 2019, after which he has been acting as both the Company's CEO and Chairman. Ms. Li Wei was appointed as the Acting CEO of the Company with effect from 13 December 2021. Mr. Li Feng was appointed as the Deputy CEO of the Company on 15 March 2022.

Board Practices

The Board, led by the Chairman, is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the secretary of the Board. With the support of executive Directors and the company secretary of the Company (the "Company Secretary"), the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Five Board meetings (including four regular Board meetings) were held during the year for facilitating the function of the Board. The Board believes that the Board meetings held during the financial year were adequate to cover all major issues during the year. In any event all Directors were available for consultation by management from time to time during the year.

The Board also reserves for its decisions on all major matters of the Company, including: the approval and monitoring of major policy matters, overall strategies and annual budgets and business plans, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information and other significant financial and operational matters.

Management is responsible for the day-to-day operations of the Group under the leadership of the CEO. The CEO, working with the management team, is responsible for managing the businesses of the Group including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. Apart from the regular Board meetings, the Chairman may hold meetings with the independent non-executive Directors without the presence of executive Directors.

In order to ensure that the Board is able to fulfill its responsibilities, the Board has established and delegated specific responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. The details of the committees are stipulated on pages 34 to 37 of this report.

Sufficient formal notice of every regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The secretary of the Board shall attend all regular Board meetings and shall seek external advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to seek independent professional advice whenever deemed necessary. The secretary of the Board shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings. Draft and final versions of Board minutes have been sent to all Directors for their comment and records respectively within a reasonable time after the board meeting.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

The Company Secretary, Ms. Wong Wai Yee Ella, is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regarded to them when making decisions. The Company Secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations. During the year ended 31 December 2021, Ms. Wong Wai Yee Ella undertook not less than 15 hours of professional training to update her skills and knowledge.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including non-executive Director and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. 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 is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31 December 2021, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Attended Seminars or Briefing/Read Materials
Executive Directors	
Mr. Tomohiko Watanabe	✓
Mr. Ni Xinguang	✓
Ms. Li Wei	✓
Non-executive Directors	
Mr. Zhang Yang	✓
Mr. Zhang Boyang	✓
Independent Non-executive Directors	
Mr. Wang Yongli	✓
Ms. Zhou Hui	✓
Mr. Dong Hao	✓

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for each financial period which gives a true and fair view of the financial position of the Group and financial performance and cash flows for that period and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. With the assistance of the Company Secretary, the Directors also ensure the publication of the consolidated financial statements of the Group in a timely manner.

The report of the external auditor of the Company, PricewaterhouseCoopers, with regard to their reporting responsibilities on the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 68 to 77 of this annual report.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

AUDIT COMMITTEE

Composition

The Company established an Audit Committee in 1999. It has written terms of reference in compliance with the CG Code. As at 31 December 2021, the Audit Committee consists of three independent non-executive Directors, namely Ms. Zhou Hui (the chairperson), Mr. Wang Yongli and Mr. Dong Hao respectively. The Audit Committee meets twice a year on a half year basis, or more frequently if required.

Functions and Role

The primary functions of the Audit Committee are, inter alias, to assist the Board in fulfilling its overseeing responsibilities with respect to maintaining appropriate relationship with external auditor, and, to review the annual and interim report and other financial information provided by the Company to its shareholders, the public and other matters within the scope of the terms of reference. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In discharging its responsibilities, the Audit Committee performed the following work during the year of 2021:

(i) reviewed the effectiveness of audit process in accordance with applicable standards;

(ii) reviewed the consolidated financial statements and reports and the change in accounting principles and policies and assessment of potential impacts on the Group's consolidated financial statements;

(iii) reviewed the Group's risk management and internal control systems and discussed the relevant issues including financial, operational and compliance controls; and

(iv) reviewed the internal control matters reported by internal auditor and external auditor and ensure the Board will provide a timely response to the issues raised therein.

During the year ended 31 December 2021, three Audit Committee meetings were held and the record of attendance of individual member is listed out on page 39 of this annual report.

NOMINATION COMMITTEE

Composition

The Nomination Committee has been established with a defined terms of reference in consistent with the CG Code on 30 March 2012. As at 31 December 2021, the Nomination Committee consists of one executive Director, namely Mr. Tomohiko Watanabe (chairman) and three independent non-executive Directors, namely Mr. Wang Yongli, Ms. Zhou Hui and Mr. Dong Hao. The Nomination Committee meets at least once a year.

Functions and Role

The primary duties of the Nomination Committee are, inter alias, reviewing the structure, size and composition of the Board, making recommendations to the Board on Board succession, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Directors. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. In addition, the Company has also adopted a nomination policy on 28 January 2019 in sight of the new Listing Rules that came into effect on 1 January 2019. Please see page 36 of this annual report for further details.

The Nomination Committee is responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, past experience, qualifications, professional knowledge, personal integrity and time commitments of proposed candidates, including the independence status in the case of an independent non-executive Director, the Board Diversity Policy, the Company's needs and other relevant statutory requirements and regulations. During the year ended 31 December 2021, Mr. Zhang Boyang was appointed as a non-executive Director.

During the year ended 31 December 2021, one Nomination Committee meeting was held for, inter alia, considering the retirement and re-election of the Directors at the annual general meeting, and the appointment of Mr. Zhang Boyang as a non-executive Director. The record of attendance of individual member is listed out on page 39 of this annual report.

Nomination Policy

On 28 January 2019, the Company has adopted a nomination policy setting out the procedure for selection, appointment and re-appointment of directors containing the selection criteria to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Pursuant to the Nomination Policy, the Nomination Committee will nominate suitable candidates to the Board with the following selection criteria:

- Reputation for integrity
- Potential contribution to the Board in terms of qualification, skills, independence and experience in the business of the Company
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Nomination Committee may nominate candidates, and/or invite nominations of candidates from Board members, for consideration by the Nomination Committee prior to its meetings from time to time for casual vacancies and/or candidates to stand for election at a general meeting.

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

A shareholder can serve a notice to the Company Secretary of the Company within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting, and the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee has been established with written terms of reference in compliance with the CG Code. As at 31 December 2021, the Remuneration Committee members consists of three independent non-executive Directors, namely Mr. Wang Yongli (chairman), Ms. Zhou Hui and Mr. Dong Hao. respectively. The Remuneration Committee meets at least once a year.

Functions and Role

The primary objectives of the Remuneration Committee include determining the remuneration policy, structure and remuneration packages of the Directors and senior management and make recommendations to the Board, and other related matters. The Remuneration Committee is responsible for establishing transparent procedures to develop such remuneration policy and structure which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee are responsible for reviewing the market conditions, time commitment, responsibilities, performance of individuals and any other relevant information and propose to the Board for consideration and approval. None of the executive Directors can determine his or her own remuneration.

During the year ended 31 December 2021, one Remuneration Committee meeting was held to review the existing remuneration policy and structure of Company, to review and recommend the remuneration of executive Directors and senior management for Board approval and to recommend the remuneration of Mr. Zhang Boyang, the newly appointed non-executive Director. The record of attendance of individual member is listed out on page 39 of this annual report.

Emolument Policy

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement, for the Board approval.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "Policy") setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider setting measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

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.

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

During the year ended 31 December 2021, the Nomination Committee has reviewed the Policy to ensure its continued effectiveness.

DIVIDEND POLICY

The Company has a dividend policy which aims to set out the principles and guidelines to be applied in relation to the declaration and/or payment of dividends to its shareholders. The Board has the sole and absolute discretion to declare and distribute dividends to the shareholders of the Company and their decision will depend on the actual and expected financial performance of the Group, retained earnings and distributable reserves of the Group, the level of the Group's debt to equity ratio, return on equity and relevant financial covenants, the current and future operations, expected working capital requirements and future expansion plans, current market condition, future development plan, and any other factors that the Board deem appropriate. The declaration and the amount of the dividends will also be subject to any restrictions under the applicable laws and regulations and the Company's constitutional documents. The dividends policy will be reviewed by the Board from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

CORPORATE GOVERNANCE FUNCTION

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 30 March 2012 and is in compliance with paragraph the Code Provision A.2.1. During the year ended 31 December 2021, the Board has reviewed the policy of the corporate governance of the Company and the corporate governance report.

ATTENDANCE OF BOARD MEETINGS, AUDIT COMMITTEE MEETINGS, NOMINATION COMMITTEE MEETINGS, REMUNERATION COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING IN 2021

	Attendance/Number of Meetings Held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting held on 25 June 2021
Directors					
Executive Directors:					
Tomohiko Watanabe	5/5	N/A	1/1	N/A	1/1
Ni Xinguang	5/5	N/A	N/A	N/A	1/1
Li Wei	4/5	N/A	N/A	N/A	1/1
Non-executive Directors:					
Zhang Yang	5/5	N/A	N/A	N/A	1/1
Zhang Boyang *(Note 1)*	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors:					
Wang Yongli	5/5	3/3	1/1	1/1	1/1
Zhou Hui	5/5	3/3	1/1	1/1	1/1
Dong Hao	5/5	3/3	1/1	1/1	1/1

Note:

1. Mr. Zhang Boyang was appointed as non-executive Director on 26 November 2021.

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the fees paid or payable to external auditor of the Company, PricewaterhouseCoopers were HK$2,800,000 for statutory audit services rendered and HK$260,000 for non-audit service rendered to the Group respectively. The non-audit service represents taxation service fee.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavors to maintain good investor relationship with the Shareholders and potential investors by way of annual general meeting, publication of interim and annual reports on the websites of the Company and the Stock Exchange, and timely press releases on the Company's website. A Shareholder's Communication Policy was adopted by the Board on 30 March 2012 aiming at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

Shareholders are encouraged to attend the annual general meetings for which a notice would be served properly. The Chairman and/or Directors are available to answer questions on the Group's business at the meetings. At general meetings, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Hong Kong Companies Ordinance and the Articles, an extraordinary general meeting can be convened by a written request signed by the Shareholders holding not less than one-twentieth of the paid-up share capital of the Company, stating the objects of the meeting, and deposited at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong.

Procedures for putting forward Proposals at a General Meeting

A Shareholder shall make a written requisition to the Board or the Company Secretary at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong or send email to ir@chinavered.com.

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

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

DIRECTORS' PROFILES

Mr. Tomohiko Watanabe ("Mr. Watanabe"), aged 57, was appointed as the Chairman and an executive Director on 18 February 2019, appointed as CEO on 5 March 2019 and the Chairman of the Nomination Committee on 27 December 2019, and has directorship in a number of subsidiaries of the Company. Mr. Watanabe is the vice-president of Vered Holdings Corporation (薔薇控股股份有限公司) ("Vered Holdings"). Prior to joining Vered Holdings, Mr. Watanabe had been employed by MUFG Bank (China), Ltd. (previously known as Bank of Tokyo-Mitsubishi UFJ (China), Ltd.) in various positions since 2009, including the General Manager of its China Business Division to take responsibility for corporate banking business for Chinese SOE and Multi-National corporations in the Greater China region, China Investment Banking Division and Corporate Planning Division, and also as Deputy General Manager of MUFG Bank (China), Ltd.'s Beijing branch.

Mr. Watanabe holds or had previously obtained the Class 2 Sales Representative qualification in Japan, series 7 and series 63 licence in the United States of America, and module 1B (dealing in securities) and module 4A (advising on corporate finance) qualifications in Singapore.

Mr. Watanabe obtained a bachelor degree in Economics from the Political Science and Economics, Waseda University in Japan.

Mr. Ni Xinguang ("Mr. Ni"), aged 52, was appointed as an executive Director of the Company on 11 January 2017 and Vice Chairman on 21 November 2017. He previously served as the Chairman and an executive Director from 12 March 2004 until his re-designation as a non-executive Director on 11 December 2015, He re-designated as an executive Director on 11 January 2017. He is also currently a director of Cheong Wa Limited, China Seven Star Group Secretarial Services Limited, China Seven Star Network Financial Management Limited, Cyberspring Limited, China Fame International Investment Limited, Fuzhou Landun Science of Life Co., Ltd., Kailey International Limited, King Respect Limited, Power Giant Limited, Seven Star Shopping Limited, Smart Idea Investment Limited, Top Pro Limited, World Grace Holdings Limited, World Structure Limited, Seven Star Shopping (China) Co., Ltd.* (七星購物(中國)有限公司), Shanghai Seven Star Qiangguan Investment Management Co., Ltd.* (上海七星強冠投資管理有限公司) and Shanghai Seven Star New Energy Investment Co., Ltd. (上海七星新能源投資有限公司) which are all subsidiaries of the Company.

Mr. Ni has extensive experience in the retail, distribution and printing business in the People's Republic of China. Further to a Diploma in Education, Mr. Ni also has a Degree of Master of Business Administration from the Nanyang Technological University in the Republic of Singapore.

* For identification purposes only

Ms. Li Wei ("Ms. Li"), aged 45, was appointed as executive Director of the Company on 30 July 2018 and was appointed as the Acting Chief Executive Officer of the Company with effect from 13 December 2021. Ms. Li served as the Executive Vice President of the Company from 17 August 2018 to 23 May 2019. Ms. Li was the executive director and chief risk and operating officer of Ascent International Holdings Limited (currently known as China International Development Corporation Limited) (Stock Code: 264.HK) and resigned on 7 September 2018. Ms. Li was employed by KEE Holdings Company Limited (currently known as China Apex Group Limited) (Stock Code: 2011.HK) as the chief risk and operating officer from September 2017 to July 2018. Ms. Li was appointed by Capital Finance Holdings Limited ("CFHL") (Stock Code: 8239.HK) to act as its chief operating officer, executive director, authorised representative and compliance officer from 24 August 2015, 1 July 2016, 1 January 2016 and 1 July 2016 respectively, and Ms. Li's appointments to such roles have ceased on 30 September 2017. Ms. Li has been appointed as the executive president , vice chairlady and deputy chief executive officer of CFHL with effect from 21 September 2019. Ms. Li has tendered her resignation as the vice chairlady and deputy chief executive officer of CFHL with effect from 17 December 2021.

Ms. Li obtained a bachelor's degree in enterprise management from Tianjin Normal University in the PRC and a master's degree in management from Tianjin University in the PRC.

Mr. Li Feng ("Mr. Li"), aged 43, has been serving as a director of Vered Holdings since 2017. Before joining Vered Holdings, Mr. Li was employed by China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) and held various positions from January 2003 to February 2016, including the account manager of the corporate business department of the Dalian branch, the product manager assistance of the corporate banking management department of the Dalian branch, general manager assistant of the Dalian branch of the trade finance department and the general manager of the corporate finance department of the Hong Kong branch.

Mr. Li graduated from Dongbei University of Finance and Economics (東北財經大學) in June 2011 with a master degree in business administration.

Mr. Zhang Boyang ("Mr. Zhang"), aged 34, was appointed as non-executive Director of the Company on 26 November 2021.

Mr. Zhang has been serving as the general manager of Beijing Winhoo Group Co., Ltd.* (北京盈中祥合集團有限公司) since July 2019, and has worked as a director, a deputy general manager and a general manager at Beijing Bashiyi Investment Co., Ltd.* (北京八十一投資有限公司) since November 2016. From March 2014 to November 2016, Mr. Zhang worked as the deputy head of the finance department at Tangshan Ganglu Iron Steel Co., Ltd.* (唐山港陸鋼鐵有限公司), and worked at the metallurgy business unit of China Minsheng Bank (中國民生銀行) from August 2012 to February 2014.

Mr. Zhang graduated from Bangor University in July 2010 with a Degree of Bachelor of Arts in banking and finance and obtained a degree of Master of Science in banking and finance from Bangor University in January 2012.

* For identification purposes only

DIRECTORS' PROFILES

Ms. Zhou Hui ("Ms. Zhou"), aged 59, was appointed as an independent non-executive Director, the chairperson of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee on 21 March 2019. She graduated from the Renmin University of China (中國人民大學) with a master's degree in economics and holds the qualification of a senior professional accountant (高級會計師) in the PRC. Prior to joining the Company, Ms. Zhou had served at various managerial and finance-related positions at Huaneng Power International, Inc. (華能國際電力股份有限公司), a company whose shares are listed on the Stock Exchange (stock code: 902) and the Shanghai Stock Exchange (stock code: 600011) and whose American Depositary Receipts are traded on the New York Stock Exchange (ticker symbol: HNP), including chief accountant from March 2006 to January 2016, and vice general manager from October 2012 to March 2018. In addition, Ms. Zhou served as the vice chairperson of Huaneng Sichuan Hydropower Co., Ltd. (華能四川水電有限公司) and China Huaneng Finance Corporation (中國華能財務有限責任公司) from June 2005 to December 2016 and from March 2006 to October 2016, respectively. She was also a supervisor of China Yangtze Power Co., Ltd. (中國長江電力股份有限公司, a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600900)) from June 2010 to August 2016, a supervisor of Hainan Nuclear Power Co., Ltd. (海南核電有限公司) from August 2011 to September 2017 (including serving as the chairperson of the supervisory committee from December 2011 to September 2017), and a director of Tuas Power Ltd. (大士能源有限公司) from March 2008 to May 2018.

Mr. Dong Hao ("Mr. Dong"), aged 65, was appointed as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 27 December 2019. Mr. Dong is currently an independent director of Fujian Green Pine Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300132). Prior to joining Fujian Green Pine Co., Ltd., Mr. Dong served as the deputy director of the Judicial Bureau of Yan'an City of Shaanxi Province (陝西延安市司法局副局長), deputy director of the research office of, deputy president and president of the administrative tribunal of, deputy head of the Intermediate People's Court of Zhuhai City (珠海市中級人民法院研究室副主任、行政庭副庭長、庭長、副院長), president of the docket tribunal and the administrative tribunal of the Higher People's Court of Guangdong Province (廣東省高級人民法院立案庭庭長、行政庭庭長), head of Zhuhai Intermediate People's Court (珠海市中級人民法院院長), and vice president of Guangzhou University (廣州大學副校長). Mr. Dong obtained his master degree in administrative law from China University of Political Science and Law in 1991 and doctoral degree in constitutional and administrative law from Wuhan University in 1998.

* For identification purposes only

Mr. Wen Yuanhua ("Mr. Wen"), aged 52, has worked as the director and president of Zhongji Investment Co., Ltd.* (中冀投資股份有限公司) ("Zhongji") since November 2017, and has been in charge of Zhongji's strategy, organisation, business, and building of a large-scale asset allocation portfolio platform that involves equity investment, high-yield debt, non-performing assets and fixed increase business. Mr. Wen previously worked as an executive director of Bank of Tianjin ("BOT") from December 2014 to February 2017 and as the president of BOT from December 2014 to December 2016, mainly responsible for the overall business and management of BOT, and was in charge of the general office, asset and liability management department, science and technology department, operation management department, investment banking department and asset management department. Prior to joining BOT, Mr. Wen held a number of positions at China Construction Bank Corporation (中國建設銀行股份有限公司), including serving as the deputy head of the board of directors' office of China Construction Bank Corporation and the deputy president of the Tianjin branch of China Construction Bank Corporation from September 2006 to March 2008 and March 2008 to July 2013, respectively. Mr. Wen also served as the deputy general manager of the strategic planning and equity investment division and equity management division of China Construction Bank Corporation from July 2013 to March 2014 and March 2014 to September 2014, respectively. Prior to that, Mr. Wen worked at China Central Huijin Investment Limited* (中央匯金投資有限責任公司) as the deputy head of equity management division from September 2005 to September 2006. Between September 1996 to August 2000, August 2000 to March 2002 and January 2003 to September 2005, Mr. Wen held various positions at China CITIC Bank International Limited (中信銀行(國際)有限公司), including being the deputy general manager of the financial planning division and credit management division, and general manager of the integrated banking and comprehensive managing services division, respectively.

Mr. Wen obtained a bachelor's degree in engineering in geophysical surveying from East China University of Science and Technology (東華理工大學) (formerly known as East China Institute of Geology (華東地質學院)) in Jiangxi, China in July 1991. He also obtained a master degree in quantitative economics from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, China in June 1996 and a doctorate degree in economics from the Chinese Academy of Social Sciences (中國社會科學院) in Beijing, China in June 2003. Mr. Wen studied at the Centre for International Management Studies of McGill University, Canada from March 2002 to November 2002 and was a participant in the World Fellows Program at the Yale University, the United States from August to December 2012. He is qualified as a senior economist, accredited by China CITIC Bank (中信銀行) (formerly known as CITIC Industrial Bank (中信實業銀行)) in 2004.

Save as disclosed above, the Directors have not held any other positions in the Company or any of its subsidiaries and each of them is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, none of the Directors held any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

China Vered Financial Holding Corporation Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "we") are pleased to present our 2021 Environmental, Social and Governance ("ESG") Report (the "Report"). The Group is committed to maintaining high standards of corporate governance in order to continuously enhance our efforts in sustainability and social responsibility and to create long-term values for our stakeholders.

Reporting Standard

This Report has been prepared pursuant to the Environmental, Social and Governance Reporting Guide (the "Reporting Guide"), which is the Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx"). A content index with reference to the Reporting Guide is included at the end of this Report for the ease of the readers.

The Group adheres to the following reporting principles:

Materiality	Quantitative	Consistency	Balance
• This Report is structured based on the materiality of respective sustainability issues as assessed and identified with stakeholder engagement. The issues that are most significant to the Group in terms of its environmental and social impacts are considered material and will be discussed in this Report.	• This Report provides information on our ESG metrics and presents KPIs in quantitative terms whenever feasible.	• This Report is prepared to be in consistent with the methodology applied in the ESG report from 1 January 2020 to 31 December 2020 (the "Previous Year").	• This Report provides an unbiased narrative explanation of our sustainability achievements and challenges

Reporting Period and Scope

Unless otherwise stated, information disclosed in this Report covers the Group's operations in Hong Kong, including the asset management services, securities brokerage services, investment holding, and investment banking services, for the financial year from 1 January 2021 to 31 December 2021 (the "Reporting Period").

Your Feedback

We hope to promote communication between the Group and our stakeholders through this Report. Understanding and responding to the needs of our stakeholders are crucial to our continuous growth and success. We sincerely invite you to provide your valuable opinion. Your input can help us further optimise our sustainability management and performance. If you have any questions or suggestions, please forward your comments to ir@chinavered.com. Your feedback will be highly appreciated.

OUR SUSTAINABILITY APPROACH

ESG Governance

A sound governance structure is essential in managing ESG-related matters of the Group. The Board of Directors (the "Board") sets the overall direction for the Group's sustainability strategy and provides oversight on our sustainability performances. The ESG Working Group (the "Working Group") supports the Board in coordinating the ESG management across the Group, developing relevant ESG targets and initiatives, as well as collecting ESG-related data and information.

Board of Directors

To uphold high standards of corporate governance and accountability, the Board bears the overall responsibility to foster sustainable business operations that creates long-term value for our stakeholders. The Board is responsible for the approval of the ESG targets and policies with regular progress reviews and recommendations to enhance the Group's sustainability performance.

ESG Working Group

Leading by the Chairman of the Company, the ESG Working Group (the "Working Group"), comprises of department heads from various functional departments including Human Resources, General Administration, Internal Audit, Risk Management, Board Office, Finance, etc. The Working Group is responsible for setting the Group's ESG strategies and targets in line with the key ESG risk and opportunities identified. The Working Group is responsible for developing ESG policies, initiatives and implementation plans. It also regularly reports to the Board on the Group's ESG strategy progress and ESG reporting related matters.

Our Sustainability Strategy

The Group is committed to operating in an environmentally, socially and economically responsible manner across all aspects of our business. We have developed a sustainability strategy with three key focus areas: Operational Excellence, Maintain a People-first Environment, and Establishing a Green Environment.

Responding to the call for action by the United Nations Sustainable Development Goals ("SDGs"), the Group have analysed correlation between its own business value chain and SDGs and identified 9 SDGs that are most relevant to our business nature.

Focus Areas	Sustainable Development Goals	Sustainability Strategies	Sustainability Targets
Operational Excellence	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Uphold business integrity and operational compliance	To ensure compliance with financial regulations by formulating strict business guidelines to eliminate money laundering activities and improper behaviour
Maintain a People-first Environment	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	Create a safe and equal working environment	Seek for the best talents, safeguard employee health and safety and promote employee sense of belonging
Establishing a Green Environment	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 7 AFFORDABLE AND CLEAN ENERGY; 6 CLEAN WATER AND SANITATION; 13 CLIMATE ACTION	Mitigate climate change impacts through green operations	Reduce our office environmental footprint in terms of greenhouse gas emissions and waste generation, as well as increase energy and water usage efficiency

All UN member states (over 190) passed the Sustainable Development Goals (SDGs) in 2015 to eradicate poverty, reduce inequality, and build a more peaceful and prosperous society by 2030. The SDGs includes 17 core goals, including promoting economic growth, satisfying education, hygiene, social protection and employment opportunities, tackling climate change, environmental protection, etc. It aims to guide global joint efforts and actions to protect the earth while promoting economic prosperity.

Stakeholder Engagement

The Group believes maintaining an on-going communication with stakeholders can allow us to understand their expectations regarding our sustainability performance. We can identify material sustainability issues through engaging with internal and external stakeholders.

We have summarised the stakeholder communication channels and presented their key concerns in the following table:

Key Stakeholders	Concerns	Communication Channels
Clients	➢ Service quality and satisfaction ➢ Information security and data privacy	➢ Client visit/ meeting ➢ Feedback via front-line staff ➢ Customer service hotline / email ➢ WeChat official account ➢ Satisfaction survey
Shareholders	➢ Creating shareholder value ➢ Business strategy ➢ Corporate governance and risk management ➢ Information transparency	➢ Annual general meetings and other general meetings ➢ Regular publications and disclosures ➢ Investor communication meeting
Employees	➢ Remuneration and welfare benefits ➢ Working environment ➢ Career development and training ➢ Employees' rights protection	➢ Internal announcements and notices ➢ Performance review ➢ Staff training
Business partners	➢ Financial performance ➢ Business integrity and anti-corruption ➢ Maintaining close relationship for mutual growth	➢ Meetings / conferences ➢ Telephone / email ➢ Business negotiations ➢ Contracts and agreements
Regulatory authorities	➢ Compliance with relevant laws and regulations	➢ Ad-hoc enquiries ➢ Regulator's inspection ➢ Regular publications and information disclosure
Community	➢ Community investment ➢ Financial services ➢ Green operation	➢ Company website ➢ Regular publications and announcements ➢ Community engagement / services

Materiality Analysis

As a part of the materiality assessment, the Group has engaged an independent third-party consultant to conduct an online stakeholder survey during the preparation of this Report. Stakeholder groups were invited to rate the materiality of sustainability issues to the Group.

The materiality assessment process is divided into the following steps:

Step 1: Identify the sustainability issues

The Group identified and reviewed 22 sustainable development issues that are most relevant to the Group's business. These issues are gathered from a wide range of sources, including the Listing Rules requirements of the Hong Kong Stock Exchange and industry trends on sustainable development, to ensure that identified issues fully reflect the nature of the Group's business and the results of previous communications with stakeholders.

Step 2: Collect stakeholder feedback and develop materiality matrix

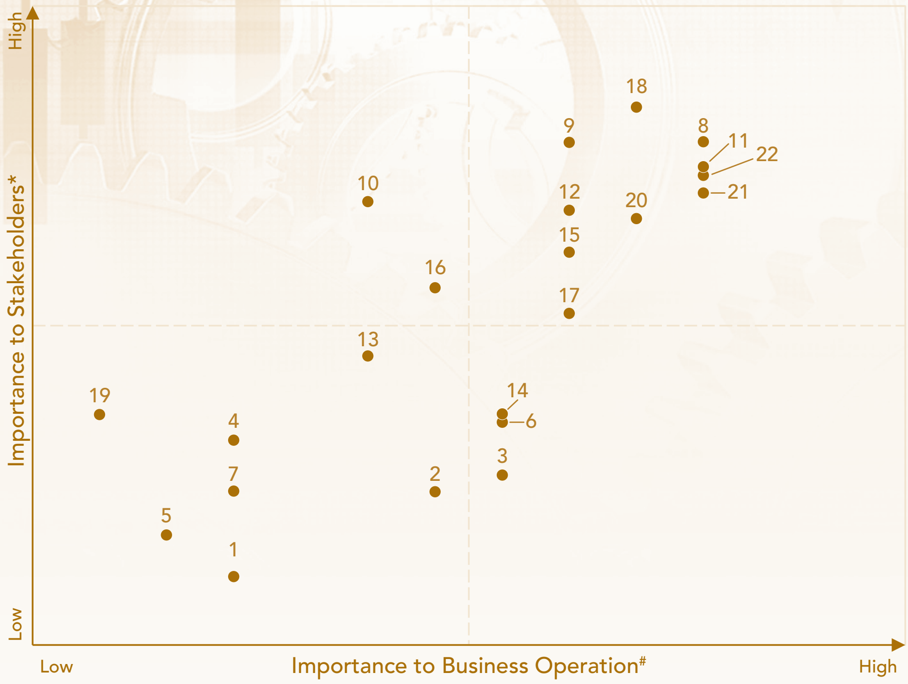
We invited the stakeholders to participate in an online stakeholder engagement survey, to help us to prioritise the 22 sustainability issues identified. After that, quantitative analysis were conducted based on the stakeholder's views and the importance of the issues to the operation continuity and development of the Group's business, then presented the results of the analysis in a matrix form to determine the most important issues from these two perspectives. The most important issues at the stakeholder and Group levels are the focus of disclosure in this Report.

Step 3: Verify the material issues

The management of the Group verified the prioritised material issues to ensure the rationality, balance and completeness of this Report.

Indices on the top right-hand corner of the following materiality matrix indicate the most significant sustainability issues identified and will be highlighted in this Report.

MATERIALITY MATRIX



*: The importance to stakeholders is determined based on the scores assigned by the external stakeholders according to the impact of materiality issues on social/environment.

#: The importance to business operation is determined based on the scores assigned by internal stakeholders according to the likelihood and potential impact of issues affecting continued operation and development of the Group's business.

List of sustainability issues

Environmental	Social	Operation
1. Air emissions	**8. Staff welfare**	**15. Customer service**
2. Waste	**9. Equal-opportunity, diversity, anti-discrimination**	16. Intellectual property rights management
3. Carbon emission and energy	10. Occupational health and safety	**17. Marketing and advertising**
4. Water consumption	**11. Staff development and training**	**18. Anti-corruption**
5. Climate change risk	**12. Employment compliance**	19. Product assurance and quality
6. Green procurement	13. Ethically responsible sourcing	**20. Production research and development and innovation**
7. Environmental risk in supply chain	14. Community investment	**21. Economic performance**[1]
		22. Business growth[1]

Note: The issues in bold are considered as more important issues

OUR OPERATIONS

Prioritised SDG:

Anti-money Laundering

As a financial institution, one of our core social responsibilities is to prevent and detect money-laundering. We actively fulfil such obligation and are not aware of any non-compliance cases against relevant laws and regulations, including but not limited to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) of Hong Kong. All employees must uphold the Company's compliance manual which sets out the guidance on, among the others, anti-money laundering, customer identification and monitoring procedures. It is our responsibility to ensure that all employees understand the guidelines as set out in the manual. Hence, we provide trainings to employees to give examples of potential money laundering acts and help them in identifying illegal activities.

We employ a systemic approach to monitor clients' transaction activities and identify suspicious financial activities. When there are suspicious cases relating to terrorist financing and money laundering activities, our employees are obliged to report to the line manager. If in consultation with the line manager reasonable suspicion is confirmed a disclosure report must be made to the money laundering reporting officer who is responsible to review such transactions and identify and report suspicious cases to the Joint Financial Intelligence Unit of the Hong Kong government. In addition, compliance department would review the anti-money laundering procedures regularly to ensure that they are consistent with international and local regulatory updates.

[1] For details related to economic performance and business growth, please refer to the relevant sections in the Annual Report 2021

Business Integrity

We believe that integrity is one of the key cornerstones for fulfilling our corporate social responsibilities and achieving sustainable Group's development. We commit to complying with all relevant laws and regulations of the HKSAR and the regulatory authorities such as the Prevention of Bribery Ordinance (Cap. 201) and the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("SFC"). The employees were required to follow the highest level of integrity and professional ethics. Our Employee Code of Conduct requires employees to safeguard the Group's reputation and interests and explicitly prohibit employees from engaging in fraudulent behaviours or deception. Our internal rules and policy in relation to confidentiality and conflict of interest set out our standards and guidelines in professional conduct, dealing with trade secrets and avoidance of related parties transactions. Bribery offering and taking are clearly defined and possible bribery acts in brokerage, investment banking, and asset management are stated to prevent such offenses. Rules of ex-ante approval, whistle-blowing, investigation and accountability mechanisms are also established to prevent our employees from participating in any bribery acts or improper behaviours.

During the Reporting Period, the Group together with its directors and employees were not involved in any legal cases concerning corrupted practices. We were not aware of any material non-compliance cases relating to bribery, extortion, fraud and money laundering. The Independent Commission Against Corruption had conducted an anti-corruption training to all staff during the year ended 31 December 2021. The Company's legal advisor had provided training to the directors of the Company covering topics such as anti-corruption during the year ended 31 December 2021.

Products and Services Quality

The Group is targeting to put client's interest on our top priority and to provide them with quality services. We comply with requirements in accordance with the Inland Revenue Ordinance (Cap. 112), the Securities and Futures Ordinance (Cap. 571) and the Listing Rules. We have set up processes to assure compliance, service quality and due diligence throughout our operation. We prohibit any form of dishonesty and deceptive statements and all marketing materials must be based on the facts and should not have any biased view to mislead customers in purchasing our products and services. Our employees have the responsibility to ensure contents of all marketing materials and statements disseminated on behalf of the Group are accurate. Risk profile assessment for customers is required to conduct before proposing the most suitable investment products to them. This allows us to match the clients' expectations based on their risk attitude, and ensure that the highest quality services are offered to our clients.

We have established a client feedback and complaint handling process to ensure proper and timely handling of complaints from our clients. We also strive to improve our customers' experience by providing innovative, efficient and convenient services to our clients. Based on clients' feedbacks, we continue to optimise our business operation processes and enhance our working efficiency. During the Reporting Period, no material complaints regarding to the Group's services were received.

Data Protection and Privacy

Protecting customer privacy is critical to maintaining client relationship and confidence. The Group strictly complies with Personal Data (Privacy) Ordinance (Cap. 486) while handling the personal and confidential data of our clients. Only personal data from employees, suppliers and client are collected when deemed necessary.

We have formulated and implemented a data privacy and security policy to standardise the handling of client information. It clearly defines the process for client information access, transfer and management so that improper disclosure or abusive use of client information are prevented.

We have also implemented information system control to strictly regulate its operation and maintenance and the use and storage of information. We signed confidentiality undertakings with the relevant personnel to maintain the client information security and transaction security

During the Reporting Period, we were not aware of any significant non-compliance with relevant laws and regulations, including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486). We did not receive any complaint concerning breaches of clients' privacy nor we have identified any leak or loss of client data.

Protecting Intellectual Property Rights

The Company strictly follows relevant laws and regulations such as the Copyright Ordinance (Cap. 528). We have standardised the office hardware and software procurement process by implementing the Information Technology Management System, which ensures that all hardware and software used for business or operational purpose are properly licensed and in accordance with the requirements of protection of intellectual properties. During the Reporting Period, we did not receive any complaint concerning the infringement of intellectual property rights.

Supply Chain Management

We do not produce any physical product hence we do not have significant procurement. Our major suppliers are service providers of property management and information technology, as well as office supply vendors. We maintain strategic partnerships with our suppliers and support them through an open and fair procurement process. Procurement decisions take the following aspects of potential suppliers into account, such as compliance with laws and regulations, past experience in products or services, environmental sustainability, the quality of products and services and the current market price. We prefer selecting suppliers who share the same environmental, social and ethical values as us.

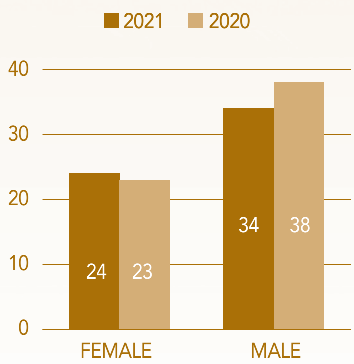
OUR PEOPLE

Prioritised SDGs:

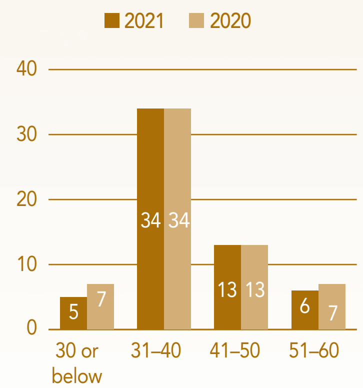
We value talent and consider our staff as the greatest attribute to ensure long-term success of our business. We are dedicated to attracting, retaining, and developing talented individuals, as well as forging solid and healthy relationships with them. We are committed to maintaining a non-discriminatory workplace where all employees are provided with opportunities to reach their full potential.

As of 31 December 2021, we employed a total of 58 (2020: 61) full-time staff in Hong Kong.

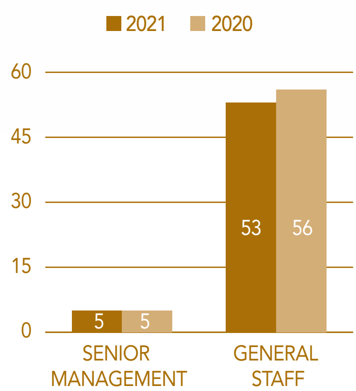
EMPLOYEES BY GENDER



EMPLOYEES BY AGE GROUP



EMPLOYEES BY CATEGORY



Equal Opportunities, Recruitment and Dismissal

We have been striving to build a diversified talent team that upholds equal opportunities and respect the uniqueness of each individual. We ensure that our recruitment process is free from any forms of discrimination against one's ethnicity, gender, age, religion, disability or sexual preference and would only consider the competencies, experience and qualification of candidates in the process. The same philosophy also applies in the workplace and we make our every effort in eliminating discrimination, harassment or assault in our offices. For employee dismissal, our human resources department will arrange exit interview with every resigned employee to understand the reasons and identify possible improvements in our talent management.

During the Reporting Period, our overall staff turnover rate in Hong Kong was 29.31%[2] (2020: 24.59%). The breakdown of the turnover by gender, employee categories, and age group are as follows:

	2021 Employee Turnover in Percentage	2020 Employee Turnover in Percentage
By Gender		
Male	29.17%	34.78%
Female	29.41%	18.42%
By Staff Category		
Senior Management	20.00%	0.00%
General Staff	30.19%	26.79%
By Age Group		
30 or below	20.00%	42.86%
31–40 years old	20.59%	32.25%
41–50 years old	53.85%	0.00%
51–60 years old	33.33%	14.29%

Remuneration and Benefits

We strive to attract and retain talents by offering competitive remuneration packages. Our remuneration policy is designed to encourage employees at all levels in making contributions to achieve our development goals. Our fair and motivating remuneration takes one's position, responsibilities and performance into account. We offer discretionary bonus based on the performance of the Group and the result of individual appraisal.

Our management periodically reviews the remuneration policy and packages according to prevailing economic and market conditions and the Group's performance. Besides, the Group has been adopting a share option scheme for eligible employees (including Directors) so as to provide incentives for their continuing contributions and foster mutual growth of the participants and the Group.

In addition to statutory holidays, our staff are also entitled to five-day working week, paid annual leave, sick leave, paternity and maternity leaves, wedding and funeral leaves

2 The calculation methodology of turnover percentage is adopted from "How to prepare an ESG report — Appendix 3: Reporting Guidance for Social KPIs" published by the Stock Exchange of Hong Kong ("HKEx") in March, 2020.

To implement social distancing, the Group tried to keep the indoor or outdoor social and recreational activities to a minimum resulting from the prevalence of COVID-19 pandemic in Hong Kong during the Reporting Period.

Training and Development

In accordance with the requirements of SFC, all the Responsible Officers and Licensed Representatives of the Group must attend continuous professional training each year. Hence, professional training is essential for our employees. Moreover, we believe that staff training and development is fundamental for the Group to retain talents and remain competitive in the industry.

We organise both internal and external training and encourage our staff to participate in those training sessions. Topics of internal training depends on the development needs of the Group and those of the staff, such as latest updates on industry trends and relevant financial laws and regulations. To support the personal growth of our employees, we also provide subsidies, fee reimbursement and leaves for staff attending relevant examinations.

	2021 Trainings Received in Percentage	2020 Trainings Received in Percentage[3]
Employees who had received training[3]		
Total	96.55%	91.80%
Gender		
Male	62.50%	60.71%
Female	37.50%	39.29%
Staff Category		
Senior Management	19.64%	8.93%
General Staff	80.36%	91.07%

During the Reporting Period, we provided 143.50 (2020: 268.75) total training hours to our employees, each employee received 2.47[3] (2020: 4.80) hours of training on average. The breakdown of average training hours by gender and staff category are as follows:

	Average 2021 Training Hours	Average 2020 Training Hours
Employees who had received training		
Overall	2.47	4.80
Gender		
Male	2.62	5.14
Female	2.27	4.27
Staff Category		
Senior Management	6.40	6.70
General Staff	2.10	4.61

3 The calculation methodology of trainings received in percentage and average training hours is adopted from "How to prepare an ESG report — Appendix 3: Reporting Guidance for Social KPIs" published by the Stock Exchange of Hong Kong ("HKEx") in March, 2020.

Occupational Health and Safety

We place high importance on the health of employees. The COVID-19 outbreak has spread across the world, impacting the society, economy and businesses in all the countries affected. Our highest priority remains in the safety and well-being of our employees. We have established proper control methods aimed at identifying and taking action against any potential hazards in our office areas. Apart from supplying our employees with face masks and hand sanitisers, we aim to strengthen the hygiene of all office areas in which all employees and visitors are required to wear face masks. We also set up "Work from Home Arrangement" pursuant to the public policies announced by the Hong Kong Government from time to time in order to minimise the risks of our staff in being infected with COVID-19 when travelling to or from our offices.

While there is no significant health and safety risk in the office environment, we strive to create a healthy and safe workplace through the adoption of the following measures:

Keep passages and stairs clear and accessible	Organise fire drills	Equip offices with first-aid boxes and other medical supplies
Maintain adequate indoor air ventilation	Clean and sanitise office area to maintain a hygenic workplace	Provide medical and dental benefits
	Offer annual body check for all staff	

No cases in relation to work-related injuries or fatalities (2020: 0 & 2019: one injury on the way to work) were recorded during the Reporting Period and the Group was not aware of any non-compliance with the Occupational Safety and Health Ordinance (Cap. 509).

Employment Practices

As an ethical corporate, we are strictly abided by the Employment Ordinance (Cap. 57) and other labour related laws and regulations. We prohibited any illegal employment of children or forced labour, discrimination and harassment. In order to prevent the employment of child labour, our human resources department is responsible for verifying the identity documents of the candidates before employment. If the candidate failed to meet all the applicable legal employment requirements, the recruitment procedure would be terminated.

During the Reporting Period, no non-compliance incidents with relevant labour and employment laws and regulations, including the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Minimum Wage Ordinance (Cap. 608), was identified.

OUR ENVIRONMENT

Prioritised SDGs:

Our business is office based and we do not create significant negative environmental impact. Nevertheless, we acknowledge our responsibility to protect the environment. As such, we have integrated environmental considerations into our business operations, including but not limited to improving our environmental practices through minimising pollution, utilising energy efficiently and reducing waste in our daily operations. We have also taken actions in advocating and supporting green operation and green office, to cultivate the consciousness of employees in energy saving and recycling and minimise our impact on the environment.

During the Reporting Period, the Group was not aware of any significant non-compliance with the relevant environmental laws and regulations, including Air Pollution Control Ordinance (Cap. 311), Waste Disposal Ordinance (Cap. 354) and Water Pollution Control Ordinance (Cap. 358).

Energy Consumption

Electricity consumption is our major impact on the environment and the major source of our greenhouse gas ("GHG") emission. In our offices, we have adopted various green practices to reduce the consumption of electricity. Examples of such green practices are:

— set the temperature of air conditioning in all offices at 25°C to avoid unnecessary power consumption;

— use energy efficient lighting fixtures;

— prefer the procurement of energy efficient electrical appliances based on their grading under the Hong Kong EMSD Mandatory Energy Efficiency Labelling Scheme (MEELS); and

— remind employees to switch off all air-conditioning, lighting and idle office equipment when leaving office, especially before holidays.

Emission/Use of Resources	2021	2020	Unit
Energy consumption			
Purchased electricity	181,585.44	183,088.00	kWh
Unleaded petrol	35,130.28	31,869.39	kWh
Total energy consumption	216,715.72	214,957.39	kWh
Energy intensity per office floor area	130.61	129.55	kWh/m^2
GHG emissions[4]			
Scope 1	10.26	9.47	tonnes CO_2 eq
Scope 2	128.93	146.47	tonnes CO_2 eq
Total emissions (Scope 1 and 2)	139.19	155.94	tonnes CO_2 eq
GHG intensity per office floor area	0.08	0.09	tonnes CO_2 eq/m^2
Air emissions			
Nitrogen oxides (NOx)	1.65	1.71	kg
Sulphur oxides (SO_X)	0.06	0.05	kg
Particulate matter (PM)	0.12	0.13	kg

Water Usage and Sewage Discharge

Our daily operation does not consume a significant amount of water or generate a large amount of sewage. Our water comes from the Water Supplies Department of Hong Kong and we do not have any issue in sourcing water. We use water for drinking, toilet flushing and office cleaning. We raise the awareness on water conservation in our offices and encourage our employees to develop a habit of water saving by having water conservation slogans put up in our offices to remind employees of proper water usage. Water consumption data is not available as the property manager of our offices do not record the water usage of individual tenant.

4 Our reporting on air and greenhouse gases (GHG) emissions are mainly based on the requirements in "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Business Council for Sustainable Development and World Resources Institute.

Waste Management

We do not generate hazardous waste in our daily operation. Whereas for non-hazardous waste, it includes paper and other general office waste.

We consume a relatively large amount of paper during our daily operation. To reduce paper waste at source, we encourage paper saving by promoting communication through electronic means, replacing print-out copies with electronic versions, and using double-sided function for printing when necessary. During the Reporting Period, we have generated about 2.34 tonnes (2020: 3.88 tonnes) of non-hazardous waste. The intensity is approximately 1.41 kg (2020: 2.34 kg) per square meter of office floor area. The reduction of waste generation amount and intensity was due to the work arrangements made in response to the COVID-19 outbreak, which reduced the number of staff working at office.

Climate Change

Currently, climate change is one of the most pressing environmental concerns in the world. Various extreme weather events, such as heatwaves, flooding, and droughts, may have an impact on business operations around the world.

As our business activities are mainly focused on financial services, climate change does not have significant impacts on the business directly. Nevertheless, we have carried out ESG risk analysis to determine the impacts of climate change on our operations, and the likelihood that such impacts would occur. We considered that with the extreme weather events such as typhoons and heavy rain, the Group may experience productivity loss. The Group will review the existing measures for extreme weather conditions and ensure the safety of the employees. The Group will remain vigilant concerning upcoming regulatory changes and potential risks posed by climate change and will endeavour to identify opportunities for increasing efficiency and reducing carbon emissions.

COMMUNITY INVESTMENT

To deliver a long-term value for the community we serve, we cultivate and promote awareness on social responsibility among our staff and encourage them to participate in voluntary works and charitable activities.

In 2021, the Group had supported the promotion of environmental awareness by sponsoring the "Walk for Nature" walkathon organised by WWF-Hong Kong. The aim of the event was to encourage the public to explore Mai Po's unique and important habitats. The participants deepened their understanding of the eco-services provided by Mai Po's habitats that create environmental stability and protect people's well-being. A total of HKD42,000 was donated by the Group and over 30 participants joined this event.

HKEX ESG GUIDE CONTENT INDEX

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")		Section	Page Number
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.* *Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.* *Hazardous wastes are those defined by national regulations.*	Our Environment	P. 59
KPI A1.1	The types of emissions and respective emission data.	Our Environment — Energy Consumption	P. 59
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Our Environment — Energy Consumption	P. 60
KPI A1.3	Total hazardous waste produced and intensity.	Our Environment — Waste Management	P. 61
KPI A1.4	Total non-hazardous waste produced and intensity.	Our Environment — Waste Management	P. 61
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Our Sustainability Approach — Our Sustainability Strategy Our Environment — Energy Consumption	P. 48, 59
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our Sustainability Approach — Our Sustainability Strategy Our Environment — Waste Management	P. 48, 61

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")		Section	Page Number
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	Our Environment — Energy Consumption	P. 59
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Our Environment — Energy Consumption	P. 60
KPI A2.2	Water consumption in total and intensity.	Our Environment — Water Usage and Sewage Discharge	P. 60
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Sustainability Approach — Our Sustainability Strategy Our Environment — Energy Consumption	P. 48, 59
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our Sustainability Approach — Our Sustainability Strategy Our Environment — Water Usage and Sewage Discharge	P. 48, 60
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	We have no tangible goods and no packaging is involved in our operation.	–
Aspect A3: Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment	P. 59
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment	P. 59
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environment — Climate Change	P. 61

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")		Section	Page Number
B. Social **Employment and Labour Standards**			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People — Equal Opportunities, Recruitment and Dismissal, Remuneration and Benefits, Employment Practices	P. 56, 59
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Our People	P. 55
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our People — Equal Opportunities, Recruitment and Dismissal	P. 56
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People — Occupational Health and Safety	P. 58
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our People — Occupational Health and Safety	P. 58
KPI B2.2	Lost days due to work injury.	Our People — Occupational Health and Safety	P. 58
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our People — Occupational Health and Safety	P. 58

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")		Section	Page Number
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People — Training and Development	P. 57
KPI B3.1	The percentage of employees trained by gender and employee category.	Our People — Training and Development	P. 57
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our People — Training and Development	P. 57
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People — Employment Practices	P. 59
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People — Employment Practices	P. 59
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People — Employment Practices	P. 59
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Operations — Supply Chain Management	P. 54
KPI B5.1	Number of suppliers by geographical region.	The Group did not have significant procurement practices due to our business nature. The number and geographical distribution of suppliers were considered immaterial to this report.	–
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Our Operations — Supply Chain Management	P. 54
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Operations — Supply Chain Management	P. 54
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Operations — Supply Chain Management	P. 54

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")		Section	Page Number
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Operations — Products and Services Quality	P. 53
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	We do not produce tangible goods.	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Our Operations — Products and Services Quality	P. 53
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Operations — Protecting Intellectual Property Rights	P. 54
KPI B6.4	Description of quality assurance process and recall procedures.	Our Operations — Products and Services Quality	P. 53
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Operations — Data Protection and Privacy	P. 54
Aspect B7: Anti-Corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our Operations — Business Integrity, Anti-money Laundering	P. 52, 53
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Our Operations — Business Integrity	P. 53
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Operations — Business Integrity	P. 53
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Our Operations — Business Integrity	P. 53

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")		Section	Page Number
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	P. 61
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	P. 61
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	P. 61

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHINA VERED FINANCIAL HOLDING CORPORATION LIMITED

(incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

What we have audited

The consolidated financial statements of China Vered Financial Holding Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 78 to 171, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for Qualified Opinion

A. *Investment in an offshore fund*

As disclosed in note 19 to the consolidated financial statements, the Group has invested in a fund, namely Shareholder Value Offshore Fund (the "Fund") at an initial investment cost of HK$139.0 million which has been accounted for as financial asset at fair value through profit or loss. As at 31 December 2021, the Group had around 30.4% interest in the Fund, and the carrying value of the Fund was determined by the directors to be zero with a fair value loss of HK$142.3 million recognised during the year.

A wholly-owned subsidiary of the Company (the "Asset Management Subsidiary") has been the fund manager of the Fund. The Fund operates in a typical "feeder fund" and "master fund" structure whereby the Fund is the feeder fund which has been subscribed by and received funding from the Group and other third-party investors, and its wholly owned master fund, namely Shareholder Value Fund (the "Master Fund"), invests in various investments. During the year, the Master Fund invested in two subject funds (the "Subject Fund A" and "Subject Fund B") managed by a third-party fund manager, by in-specie subscription of two leveraged notes and certain listed shares.

In 2021, the Asset Management Subsidiary received a redemption request from a third-party investor of the Fund (the "Third-party Investor"). It has been identified that there has been lack of liquidity to fulfill the redemption request due to the lock-up restriction of the Subject Fund A and Subject Fund B invested by the Master Fund. The Group has therefore conducted an internal investigation whereby management of the Group have identified certain potential irregularities in connection with the investments in Subject Fund A and Subject Fund B. Management has also been unable to obtain the details of the underlying assets of Subject Fund A and Subject Fund B from the third-party fund manager as at 31 December 2021. Accordingly, the Company established an independent investigation committee and engaged an independent forensic investigation advisor (the "Independent Consultant") to undertake an investigation on matters pertaining to the Fund and certain other matters (the "Investigation"). The Independent Consultant has completed the Investigation and issued a report of the Investigation ("Investigation Report") on 13 September 2022. The key findings of the Investigation Report were explained in the announcement of the Company on 13 September 2022.

As described in note 19 to the consolidated financial statements, the Independent Consultant determined that there were irregularities and anomalies identified from the investments and business transactions managed by the former manager-in-control of overall management oversight of the Asset Management Subsidiary (the "Former OMO of the Asset Management Subsidiary") and the former deputy CEO of the Company (who was also the former responsible officer and director of the Asset Management Subsidiary) (the "Former Deputy CEO of the Company"). The identified irregularities and anomalies included 1) the high concentration of the Fund in Subject Fund A and Subject Fund B did not appear to be consistent with the Fund's investment objective; 2) the unfavorable terms of Subject Fund A and Subject Fund B appeared uncommon; 3) rationale for the investments in Subject Fund A and Subject Fund B were not able to be independently verified; and 4) value and existence of the underlying assets of Subject Fund A and Subject Fund B could not be assessed. The Investigation has also revealed that the Former OMO of the Asset Management Subsidiary and the Former Deputy CEO of the Company appeared to have close relationships with the fund manager of Subject Fund A and Subject Fund B.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for Qualified Opinion *(Continued)*

A. ***Investment in an offshore fund*** *(Continued)*

The Investigation had certain limitations in respect of the nature and extent of the procedures conducted. As a result, the Independent Consultant was not able to obtain sufficient information directly from the Former OMO of the Asset Management Subsidiary and the Former Deputy CEO of the Company, or the fund manager of Subject Fund A and Subject Fund B and therefore unable to understand the historical business consideration and reasons and rationality of the above transactions entered by the Master Fund. Based on the findings of the Investigation and the available information, the directors made a judgement and determined to write down the fair value of investment in the Fund to zero and recognised a loss of HK$142.3 million in the consolidated income statement of the Group for the year ended 31 December 2021. The directors of the Company are currently seeking legal advice as part of the recovery of the Group's investment in the Fund.

The Group's management informed us that they endeavored their best efforts but was not able to obtain any further documentary information from the Master Fund nor the fund manager of Subject Fund A and Subject Fund B to explain the business rationale and commercial substance of the investments in Subject Fund A and Subject Fund B, and therefore we had not been able to obtain satisfactory explanation in that regards. We were also unable to gain direct access to the fund manager of Subject Fund A and Subject Fund B to obtain information on the underlying investments as at the year end date and to verify their existence and carrying value. As a result, we were unable to assess the appropriateness of management judgement of full write down of the fair value of the Group's investment in the Fund.

Because of the above scope limitations, there were no other alternative audit procedures that we could perform to ascertain the business rationale and the commercial substance of the Fund's investments in Subject Fund A and Subject Fund B as well as the existence and valuation of the underlying investments of Subject Fund A and Subject Fund B as at 31 December 2021, which have consequential impacts on the carrying value of the Group's investment in the Fund; and we were unable to determine whether any adjustment is necessary on the carrying value of the Group's investment in the Fund at zero as at 31 December 2021 and the fair value loss of HK$142.3 million recognised by the Group during the year ended 31 December 2021 and whether the related disclosure of investment in the Fund is appropriate.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for Qualified Opinion *(Continued)*

B. Recoverable amount of loans and interest receivables in a fund

As disclosed in note 20 to the consolidated financial statements, the Group has invested in 100% interest in a fund ("Fund D") which has been accounted for as financial asset at fair value through other comprehensive income. Fund D has been managed by a third-party fund manager. As at 31 December 2021, the carrying value of Fund D was determined by the directors at HK$5.6 million with a fair value loss of HK$59.0 million recognised during the year.

During the year, the directors identified that Fund D's investments included unsecured loans, one of which was related to the fund manager of Fund D. The Group has considered such nature in light of related party transaction with the fund manager and included matters pertaining to Fund D as part of the Investigation. The Independent Consultant identified that Fund D had two unsecured loan receivables with original maturity in December 2021, amounted to HK$55.0 million with interest receivables amounted HK$2.6 million. The directors noted that one of the loans was granted to a company owned by a director of the fund manager ("Loan A") at interest rate of 3% per annum and the other loan was granted to a company owned by a former director of Fund D ("Loan B") at interest rate of 6% per annum. The Independent Consultant considered that it was questionable as to whether the borrowing terms of Loan A were arm's length given the interest rate applied on Loan A was substantially lower than Loan B. In addition, the directors considered that the loan lending appears to be inconsistent with the private placement memorandum of Fund D.

When assessing the fair value of investment in Fund D as at 31 December 2021, the directors further noted that the maturity of these loans and interest receivables were further extended from December 2021 to December 2023 by Fund D's fund manager. The directors have requested the fund manager to provide the financial information of the respective borrowers of Loan A and Loan B but were declined by the fund manager. Considering the unsecured nature and the uncertainty of repayment ability of the respective borrowers of Loan A and Loan B, the directors considered that the likelihood of recovering any amount of the two loans to be remote. Accordingly, based on their best estimate, the directors considered that full write-down of the two loans and the interest receivable with a total amount of HK$57.6 million should be made, which is included in the fair value loss of HK$59.0 million in the consolidated statement of comprehensive income for the year.

The Group's management informed us that they endeavored their best efforts but was unable to obtain any further documentary information from the fund manager of Fund D to explain the business rationale of granting and extending the two loans, and therefore we had not been able to obtain satisfactory explanation in that regards. We were also unable to gain direct access to the fund manager of Fund D, and we requested but was not able to obtain sufficient information with respect to the basis of management judgement of write-down made on the two loans and related interest receivables.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for Qualified Opinion *(Continued)*

B. *Recoverable amount of loans and interest receivables in a fund* *(Continued)*

Because of the above scope limitations, there were no other alternative audit procedures that we could perform to ascertain the business rationale of granting and extending the two loans by the fund manager of Fund D; and we were unable to determine whether any adjustments were necessary in respect of the recoverable amount of nil for the two loans and interest receivables as at 31 December 2021, which has a consequential impact on the fair value loss of HK$57.6 million recognised by the Group in the consolidated statement of comprehensive income for the year ended 31 December 2021 and the Group's investment in Fund D with carrying value of HK$5.6 million as at that date, and whether the related disclosure of investment in Fund D in the consolidated financial statements is appropriate.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

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.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows:

- Valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which were categorised as level 3 (except for investment in the Fund at fair value through profit or loss and investment in Fund D at fair value through other comprehensive income as mentioned in the "Basis for Qualified Opinion" section)
- Assessment of expected credit losses ("ECL") of loan and interest receivables, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which were categorised as level 3 (except for investment in the Fund at fair value through profit or loss and investment in Fund D at fair value through other comprehensive income as mentioned in the "Basis for Qualified Opinion" section)	
Refer to notes 2.8, 3.5, 4.1, 19 and 20 to the consolidated financial statements. As at 31 December 2021, the Group held financial assets classified as fair value through profit or loss and financial assets at fair value through other comprehensive income with carrying value of HK$2,046,943,000 and HK$322,966,000, which were categorised as level 3 in the fair value hierarchy. In assessing valuation of such assets, management exercise significant judgment on the selection of appropriate valuation techniques such as market approach, discounted cash flows and net asset value method which include unobservable inputs such as price to sales ratio, price to book ratio, discount rates, and liquidity discounts, etc We focused on the valuation of the financial assets categorised as level 3 (except for investment in the Fund at fair value through profit or loss and investment in Fund D at fair value through other comprehensive income as mentioned in the "Basis for Qualified Opinion" section) in the fair value hierarchy due to the materiality of the balances and the high degree of subjectivity and management judgment. Due to the fact that availability of market data and observable inputs is limited for these financial assets, management judgment is involved in both selection of appropriate valuation technique and unobservable inputs.	Our audit procedures in relation to the valuation of financial assets categorised as level 3 in the fair value hierarchy included: • We obtained an understanding of the management's internal control over the valuation of the financial assets categorised as level 3 and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Based on the results of risk assessments, involved our internal valuation experts to review the reasonableness of the valuation by assessing the model, inputs and key assumptions adopted, as appropriate; • Assessed the appropriateness of the valuation techniques based on our industry knowledge and the market practices; • Verified key inputs and information identified by management that used in the valuation against the underlying source documentation, including external report relevant for valuation; and • Assessed the need of key valuation adjustments by challenging management on the appropriateness of key assumptions based on available information and facts and circumstances of these financial assets without quoted price in active market. Based on the procedures we performed, we found the valuation techniques adopted to be appropriate and considered that the key inputs and assumptions used by management in the valuation techniques were supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of expected credit losses ("ECL") of loan and interest receivables, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income	
Refer to notes 2.9, 3.2, 20, 21, 22 and 23 to the consolidated financial statements. As at 31 December 2021, the Group had loan and interest receivables, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income of approximately HK$124,588,000, HK$42,920,000, HK$21,617,000, HK$78,910,000 and HK$588,644,000 respectively, after provision of ECL of HK$301,206,000, HK$63,570,000, HK$15,583,000, HK$99,364,000 and HK$382,011,000 respectively. The Group assessed whether the credit risk of loan and interest receivable, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL. In assessing the provision of ECL, management exercise significant judgment on the selection of unobservable data inputs to this three-stage impairment model including probability of default, exposure at default, loss given default and discount rate. We focused on ECL assessment due to the materiality of the balances of loan and interest receivables, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income and the provision of ECL, and the assessment of ECL involves critical accounting estimates and judgments. In particular, we focused on: • Management assessment and identification of significant changes in borrowers' and issuers' credit risk; and • Selection of key unobservable inputs to the three-stage impairment model.	Our audit procedures in relation to management's assessment of ECL of loan and interest receivables, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income included: • Evaluated and tested management's key control over the identification of significant changes in borrowers' and issuers' credit risk based on established criteria. The key controls are the watch list monitoring, staging allocation approval and review of quarterly credit monitoring reports by the risk function; • With the support of our internal model specialists, we assessed the application of key ECL model definitions, staging, model methodologies, key inputs and assumptions; • Assessed and challenged the reasonableness of the management judgement in determining the criteria for significant increase in credit risk, and definition of credit-impaired. We also tested the application of such criteria for the staging allocation; • Tested the completeness and accuracy of key ECL data inputs on a sample basis by reviewing the counterparties' credit information such as credit risk ratings, overdue status and other relevant information; and • With the support of our internal model specialists, we developed estimates for ECL provision of financial assets using our in-house model based on publicly available market data, and compared with the management's ECL estimate. Based on the procedures we performed, we found the management's assessment of ECL of loan and interest receivables, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income were supported by available evidence that we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence regarding a) the business rationale and commercial substance of the Fund's investment in Subject Fund A and Subject Fund B as well as the existence and valuation of the underlying investments of Subject Fund A and Subject Fund B and whether any adjustment is necessary on the carrying value of the Group's investment in the Fund as at 31 December 2021 and fair value loss for the year ended 31 December 2021; and b) the business rationale of granting and extending the two loans by the fund manager of Fund D and whether any adjustments were necessary in respect of the recoverable amount of the Group's investment in Fund D as at 31 December 2021 and the fair value loss for the year ended 31 December 2021. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding a) the business rationale and commercial substance of the Fund's investment in Subject Fund A and Subject Fund B as well as the existence and valuation of the underlying investments of Subject Fund A and Subject Fund B and whether any adjustment is necessary on the carrying value of the Group's investment in the Fund as at 31 December 2021 and fair value loss for the year ended 31 December 2021; and b) the business rationale of granting and extending the two loans by the fund manager of Fund D and whether any adjustments were necessary in respect of the recoverable amount of the Group's investment in Fund D as at 31 December 2021 and the fair value loss for the year ended 31 December 2021 as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

The engagement partner on the audit resulting in this independent auditor's report is Antoinette Hoon.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Interest income		**219,155**	273,653
Commission and fee income		**69,841**	28,570
Investment income		**13,544**	16,104
Total revenue	5, 6	**302,540**	318,327
Net gain on financial assets/liabilities	7	**455,033**	357,098
Other income		**7,599**	25,794
Trading costs		**(17,981)**	(14,404)
Commission expenses		**–**	(59)
Staff costs and related expenses	10	**(39,531)**	(151,083)
Premises expenses		**(22,754)**	(22,508)
Legal and professional fees		**(10,369)**	(19,543)
Depreciation		**(10,695)**	(11,893)
Information technology expenses		**(5,068)**	(5,678)
Expected credit losses	3.2	**(496,587)**	(20,103)
Other operating expenses		**(27,474)**	(26,768)
Net losses on disposal of subsidiaries	38	**(4,089)**	–
Share of post-tax loss of associates	18	**(12,000)**	(37,228)
Finance costs	27	**(12,154)**	(14,082)
Profit before income tax	8	**106,470**	377,870
Income tax expense	9	**(36,290)**	(55,579)
Profit for the year		**70,180**	322,291
Profit attributable to:			
— Owners of the Company		**71,189**	323,452
— Non-controlling interests		**(1,009)**	(1,161)
		70,180	322,291
		HK Cents per share	HK Cents per share
Earnings per share attributable to owners of the Company			
Basic earnings per share	13	**0.22**	0.98
			(Restated)
Diluted earnings per share	13	**0.22**	0.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**70,180**	322,291
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss		
Net change in fair value on equity instruments at fair value through other comprehensive income, net of tax	**(383,924)**	(77,235)
Items that may be reclassified subsequently to profit or loss		
Net change in fair value on debt investments at fair value through other comprehensive income, net of tax	**(418,597)**	5,060
Net change in expected credit losses allowances ("ECL allowances") on financial assets at fair value through other comprehensive income	**345,844**	7,667
Reclassified to profit or loss on disposal of financial assets at fair value through other comprehensive income	**24,261**	(10,129)
Exchange differences on translation of foreign operations	**(6,508)**	21,648
Release of reserves upon disposal of subsidiaries	**(43,435)**	–
Other comprehensive loss for the year, net of tax	**(482,359)**	(52,989)
Total comprehensive (loss)/income for the year	**(412,179)**	269,302
Total comprehensive (loss)/income for the year attributable to:		
— Owners of the Company	**(408,038)**	286,248
— Non-controlling interests	**(4,141)**	(16,946)
	(412,179)	269,302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**9,244**	20,986
Right-of-use assets		**2,455**	17,783
Goodwill	15	**15,871**	15,871
Other intangible assets	16	**1,602**	700
Investments in associates	18	**93,356**	106,365
Rental and other deposits		**3,215**	3,215
Financial assets at fair value through profit or loss	19	**1,894,785**	1,283,393
Financial assets at fair value through other comprehensive income	20	**417,566**	1,686,335
Financial assets at amortised cost	21	**33,765**	172,078
Deferred tax assets	9	**156,622**	88,265
Total non-current assets		**2,628,481**	3,394,991
Current assets			
Margin receivables and other trade receivables	22	**72,364**	62,351
Financial assets at fair value through profit or loss	19	**911,303**	1,145,741
Financial assets at fair value through other comprehensive income	20	**556,589**	249,686
Financial assets at amortised cost	21	**45,145**	271,787
Loan and interest receivables	23	**124,588**	179,801
Other interest receivables		**31,803**	65,960
Tax receivables		**894**	715
Other receivables, prepayments and deposits	24	**134,608**	17,737
Pledged bank deposits	25	**–**	328
Deposits with brokers	25	**181,175**	170,970
Cash and cash equivalents	25	**780,823**	626,976
Total current assets		**2,839,292**	2,792,052
Total assets		**5,467,773**	6,187,043

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**4,454,374**	6,154,374
Other reserves	31	**87,061**	430,290
Retained earnings/(accumulated losses)		**393,251**	(1,034,730)
		4,934,686	5,549,934
Non-controlling interests		**5,989**	(261,312)
Total equity		**4,940,675**	5,288,622
LIABILITIES			
Non-current liabilities			
Loan and interest payables	26	**–**	74,437
Lease liabilities		**–**	8,660
Deferred tax liabilities	9	**8,030**	–
Total non-current liabilities		**8,030**	83,097
Current liabilities			
Accruals and other payables	28	**70,819**	136,761
Loan and interest payables	26	**163,189**	243,520
Margin payables	29	**9,164**	205,958
Financial liabilities at fair value through profit or loss	19	**115,785**	145,037
Current tax liabilities		**157,322**	74,054
Lease liabilities		**2,789**	9,994
Total current liabilities		**519,068**	815,324
Total liabilities		**527,098**	898,421
Total equity and liabilities		**5,467,773**	6,187,043

Approved by the Board of Directors on 19 September 2022 and are signed on its behalf by:

Tomohiko Watanabe
Director

Li Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to owners of the Company												
	Note	Share capital HK$'000	Capital reduction reserve HK$'000	Share-based payments reserve HK$'000	Shares held for share award plan HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Investment revaluation reserve non-recycling HK$'000	Investment revaluation reserve recycling HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-Controlling Interests HK$'000	Total Equity HK$'000
Balance at 1 January 2021		6,154,374	–	7,108	(178,300)	726,699	53,240	7,328	(188,095)	2,310	(1,034,730)	5,549,934	(261,312)	5,288,622
Comprehensive income/(loss)														
Profit for the year		–	–	–	–	–	–	–	–	–	71,189	71,189	(1,009)	70,180
Other comprehensive income/(loss)														
Change in fair value of financial assets at fair value through other comprehensive income		–	–	–	–	–	–	–	(383,924)	(418,597)	–	(802,521)	–	(802,521)
Change in ECL allowances on financial assets at fair value through other comprehensive income		–	–	–	–	–	–	–	–	345,844	–	345,844	–	345,844
Reclassified to profit or loss on disposal of financial assets at fair value through other comprehensive income		–	–	–	–	–	–	–	–	24,261	–	24,261	–	24,261
Exchange differences on translation of foreign operations		–	–	–	–	–	(3,376)	–	–	–	–	(3,376)	(3,132)	(6,508)
Release of reserves upon disposal of subsidiaries		–	–	–	–	–	(43,435)	–	–	–	–	(43,435)	–	(43,435)
Total comprehensive income/(loss) for the year ended 31 December 2021		–	–	–	–	–	(46,811)	–	(383,924)	(48,492)	71,189	(408,038)	(4,141)	(412,179)
Transfer of gain on disposal of financial assets at fair value through other comprehensive income to accumulated losses		–	–	–	–	–	–	–	8,506	–	(8,506)	–	–	–
Total transactions with owners, recognised directly in equity														
Capital reduction		(1,700,000)	140,850	–	–	–	–	–	–	–	1,559,150	–	–	–
Acquisition of shares for share award plan	33	–	–	–	(464)	–	–	–	–	–	–	(464)	–	(464)
Change in ownership interests of a subsidiary without change of control	38(iii)	–	–	–	–	–	–	–	–	–	212	212	6,092	6,304
Release of reserves upon disposal of subsidiaries	38	–	–	–	–	–	–	(5,861)	–	–	5,861	–	–	–
Appropriation of surplus reserves		–	–	–	–	–	–	75	–	–	(75)	–	–	–
Transaction with equity holders		–	–	–	–	–	–	–	–	–	(206,958)	(206,958)	206,958	–
Disposal of subsidiaries	38(i)	–	–	–	–	–	–	–	–	–	–	–	58,392	58,392
Lapse of share-based payments		–	–	(7,108)	–	–	–	–	–	–	7,108	–	–	–
Balance at 31 December 2021		4,454,374	140,850	–	(178,764)	726,699	6,429	1,542	(563,513)	(46,182)	393,251	4,934,686	5,989	4,940,675

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share-based payments reserve HK$'000	Shares held for share award plan HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Investment revaluation reserve non-recycling HK$'000	Investment revaluation reserve recycling HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2020		6,154,374	7,108	–	726,699	15,807	7,328	(109,572)	(288)	(1,359,470)	5,441,986	(244,366)	5,197,620
Comprehensive income/(loss)													
Profit for the year		–	–	–	–	–	–	–	–	323,452	323,452	(1,161)	322,291
Other comprehensive income/(loss)													
Change in fair value of financial assets at fair value through other comprehensive income		–	–	–	–	–	–	(77,235)	(5,069)	–	(82,304)	–	(82,304)
Change in ECL allowances on financial assets at fair value through other comprehensive income		–	–	–	–	–	–	–	7,667	–	7,667	–	7,667
Exchange differences on translation of foreign operations		–	–	–	–	37,433	–	–	–	–	37,433	(15,785)	21,648
Total comprehensive income/(loss) for the year ended 31 December 2020		–	–	–	–	37,433	–	(77,235)	2,598	323,452	286,248	(16,946)	269,302
Transfer of gain on disposal of financial assets at fair value through other comprehensive income to accumulated losses		–	–	–	–	–	–	(1,288)	–	1,288	–	–	–
Total transactions with owners, recognised directly in equity													
Acquisition of shares for share award plan	33	–	–	(178,300)	–	–	–	–	–	–	(178,300)	–	(178,300)
Balance at 31 December 2020		6,154,374	7,108	(178,300)	726,699	53,240	7,328	(188,095)	2,310	(1,034,730)	5,549,934	(261,312)	5,288,622

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Profit before income tax	**106,470**	377,870
Adjustments for:		
Interest income	**(219,155)**	(273,653)
Dividend income	**(13,544)**	(16,104)
Depreciation	**10,695**	11,893
Depreciation of right-of-use assets	**10,115**	14,563
Written-off of property, plant and equipment	**–**	383
Share of loss from investments accounted for using equity method	**12,000**	37,228
Expected credit losses allowance	**496,587**	20,103
Net gain on financial assets/liabilities	**(455,033)**	(357,098)
Net losses on disposal of subsidiaries	**4,089**	–
Finance costs	**12,154**	14,082
Foreign exchange gains on operating activities	**(7,463)**	(21,483)
Operating cash flows before movements in working capital	**(43,085)**	(192,216)
Change in margin receivables and other trade receivables, other receivables, prepayments and deposits	**(129,673)**	11,393
Change in loan receivables	**19,367**	20,428
Change in deposits with brokers and pledged bank deposits	**(16,551)**	(134,080)
Change in accruals and other payables	**(33,758)**	(7,531)
Cash used in operations	**(203,700)**	(302,006)
Purchases of financial assets at fair value through profit or loss	**(12,254,870)**	(8,201,878)
Purchases of financial assets at fair value through other comprehensive income	**(497,521)**	(920,497)
Purchases of financial assets at amortised cost	**–**	(354,596)
Proceeds from disposal of financial assets at fair value through profit or loss	**12,317,180**	7,660,689
Proceeds from disposal of financial assets at fair value through other comprehensive income	**665,809**	256,902
Proceeds from disposal of financial assets at amortised cost	**263,588**	115,571
Dividend received	**13,544**	16,104
Bank and other interest received	**218,374**	256,706
Interest paid	**(9,686)**	(14,866)
Income tax paid	**(11,102)**	(5,662)
Net cash from/(used in) operating activities	**501,616**	(1,493,533)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Acquisition of a subsidiary		**(902)**	–
Net cash outflow from disposal of subsidiaries	38	**(1,868)**	–
Purchases of property, plant and equipment		**(1,004)**	(6,016)
Investment in associate		**(2,735)**	(4,651)
Dividend received from associate		**3,744**	–
Net cash used in investing activities		**(2,765)**	(10,667)
Cash flows from financing activities			
Acquisition of shares for share award plan		**(465)**	(178,300)
Net cash inflow from capital injection of a subsidiary	38(iii)	**6,304**	–
(Repayment of)/proceeds from margin payables		**(188,167)**	174,715
Proceeds from loan payables		**–**	316,606
Repayment of loan payables		**(157,512)**	(311,529)
Principal elements of lease rentals paid		**(11,122)**	(12,626)
Net cash used in financing activities		**(350,962)**	(11,134)
Net increase/(decrease) in cash and cash equivalents		**147,889**	(1,515,334)
Cash and cash equivalents at the beginning of the year		**626,976**	2,117,233
Effects of exchange rate changes		**5,958**	25,077
Cash and cash equivalents at the end of the year	25	**780,823**	626,976

1. GENERAL INFORMATION

China Vered Financial Holding Corporation Limited (the "Company") was incorporated in Hong Kong with limited liability. The address of its registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2021:

- Covid-19-related Rent Concessions — amendments to HKFRS 16
- Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published but are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post- acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person of Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the executive directors as its chief operating decision maker.

2.5 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 thousands of HK dollars ("HK$'000"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "Finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "Other income" or "Other operating expenses".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, except that for non-monetary financial assets, such as equities, classified as financial assets at fair value through other comprehensive income, in which case with translation differences are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;

(b) income and expenses for each consolidated statement of profit or loss 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 rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

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. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term of 2–3 years
Furniture, fixtures and office equipment	20%
Software	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" in the consolidated statement of profit or loss.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets *(Continued)*

(b) Trading right and license

Separately acquired licences are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of reporting period.

2.8 Financial assets

Initial recognition and measurement

Financial assets within the scope of HKFRS 9 are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired and the contractual cash flows of the financial assets. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Assets are classified as current assets if expected to be realised within 12 months; otherwise, they are classified as non-current.

The Group's financial assets include margin receivables and other trade receivables, other receivables, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial assets at amortised cost, loan and interest receivables, deposits with brokers, pledged bank deposits and cash and bank balances.

Transfers between levels of the fair value hierarchy are deemed to be occurred at the beginning of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss ("FVPL")

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss within "Net gain on financial assets/liabilities" in the period in which they arise. These net fair value changes do not include any interest earned on these financial assets. Interest income is recognised in revenue on an accrual basis using the effective interest rate 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.

Financial assets designated upon initial recognition at FVPL are designated at the date of initial recognition and only if the criteria under HKFRS 9 are satisfied.

(ii) Financial assets at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loan receivables and some debt securities, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes the directly attributed transactions costs.

The Group may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be held for trading, the commitment to lend is recorded as a financial liabilities at fair value through profit or loss by initial recognition. When the Group intends to hold the loan, the loan commitment is included in the impairment calculations set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

Subsequent measurement *(Continued)*

(iii) Financial assets at fair value through other comprehensive income ("FVOCI")

(a) Debt securities

Financial assets held for a business model that is achieved by both selling and collecting contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities. They are recognised on the trade date when the Group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the consolidated statement of profit or loss as "Net gain/(loss) on financial assets/liabilities".

(b) Equity securities

The equity securities for which fair value movements are shown in other comprehensive income are for business facilitation and other similar investments where Group holds the investments other than to generate a capital return. Gains or losses on derecognition of these equity securities are not transferred to profit or loss. Otherwise equity securities are measured at fair value through profit or loss, except for dividend income which is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of amortised cost and debt investments at fair value through other comprehensive income

Expected credit losses ("ECL") are recognised for loan and interest receivables, margin receivables, financial assets at amortised cost, other interest receivables and debt investments at fair value through other comprehensive income. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ("12-month ECL"). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered to be "stage 1"; financial assets which are considered to have experienced a significant increase in credit risk are in "stage 2"; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in "stage 3". Purchased or originated credit-impaired financial assets (POCI) are treated differently as set out below.

Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible within the next 12 months ("12-month ECL") are recognised for financial instruments that remain in stage 1.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly have experienced a significant increase in credit risk, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the characteristics of the financial instrument, the borrower and their industries. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of client. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, corporate and commercial customers, and included on a watch or worry list are included in stage 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of amortised cost and debt investments at fair value through other comprehensive income *(Continued)*

Credit-impaired (stage 3)

The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

— contractual payments of either principal or interest are 90 days past due or above;

— there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and

— the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. For loans that are assessed for impairment on a portfolio basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions (including the potential impacts of COVID-19) at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active market, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.11 Financial liabilities

Financial liabilities measured at fair value through profit or loss refers to shares of an unlisted consolidated investment fund held by parties other than the Group. The shares are classified as financial liabilities as they are puttable by the holders.

Except for financial liabilities measured at fair value through profit or loss, other financial liabilities including loan and interest payables, margin payables, trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

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

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses lifetime expected credit loss allowance for all trade receivables.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Collateral

Cash collateral provided by the Group is identified in the statement of financial position as "Deposit with brokers" and "Pledged bank deposits" and are not included as a component of cash and cash equivalents.

2.16 Segregated accounts

Segregated accounts maintained by the Group to hold clients' monies are treated as off statement of financial position items and are disclosed in note 23 to the consolidated financial statements.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend on ordinary shares is recognised as a liability in the consolidated financial statements in the period in which it is approved by the shareholders or directors where appropriate.

2.18 Loan payables and margin payables

Loan payables and margin payables are recognised initially at fair value, net of transaction costs incurred. Borrowings, including loan payables and margin payables, are subsequently carried at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of profit or loss as "Finance Cost" over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Loan payables and margin payables are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loan payables and margin payables 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 end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business. Trade payables are normally classified as current liabilities in normal operating cycle of business even if they are due to be settled more than twelve months after the reporting period.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Repurchase agreements

The obligations under repurchase agreements arises when the securities re-pledged are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not required to be derecognised in the consolidated statement of financial position. The consideration received by the Group is recognised as "loan and interest payables" in the consolidated statement of financial position. The Group may be required to provide additional collateral based on the fair value of the underlying assets if necessary. Repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost.

2.21 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries, of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) Employee level entitlements

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(c) Bonus

The Group recognises a liability and an expense for bonuses, in which the bonus scheme is at the discretion of the Group's Directors based on the Group performance that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to certain employees and Directors are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as expense.

(e) Other termination benefits

The Group recognises a liability and an expense for the remaining remuneration under the employment contract when the employees are voluntarily separated from the Company and they are not considered providing any future economic benefits to the Company.

2.23 Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the time value of money is material, provisions are stated at the present value of the expenditure 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 of economic benefits 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 of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition

Revenue is recognised when control of a good or service transfers to customer, on the following bases:

(a) Interest income

Interest income includes interest income from bond investment, note investment, loan lending, bank deposits and margin financing. Interest income for all interest-bearing financial instruments are recognised within "Interest income" in the consolidated statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

(b) Commission and fee income

Commission and fee income includes brokerage commission income, loan arrangement fee income performance fee income, management fee income, underwriting fee income and advisory fee income.

Brokerage commission income on dealing in securities contracts is recognised on a trade date basis when the relevant transaction is executed.

Loan arrangement fees are recognised as revenue when the loan has been granted by the Group and accepted by the borrowers and the related arrangement services have been completed.

Performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period and it is determined that they are no longer highly probable of significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

Management fees are recognised as the services are performed over time and are primarily based on agreed upon percentage of the net asset values of the investment funds and managed accounts.

Underwriting commission income are recognised as revenue in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed.

Advisory fee income are recognised when advisory services are rendered.

Other fee income are recognised as revenue when the Group performs its role as an agent and when the corresponding services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(c) Net investment income

Net investment income includes dividend income is recognised when the right to receive payment is established.

2.25 Finance costs

General and specific 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

Finance costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gain and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management objective is to enhance shareholder value while retaining exposure within acceptable thresholds in response to changes in markets. The Group has a robust risk management system in place to identify, analyse, assess and manage risks.

The Group's risk management is carried out by the Risk Management Department under policies approved by the board of directors. The Group's Risk Management Department provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating credit risk, market risk, liquidity risk, capital management risk and risk limits setting and monitoring.

The Group's Investment Committee ensures that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on a regular basis to review and approve various investment projects to be committed by the Group, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Group.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk

3.1.1 Foreign exchange risk

The Group has certain exposures to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency, mainly US dollars ("USD"), Renminbi ("RMB"), Japanese yen ("JPY") and Canadian dollars ("CAD"). As USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ exchange rate. The directors have also assessed the impact of foreign currency risk and considered that it is insignificant to the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposures closely and will consider hedging significant foreign currency exposures should the need arise.

The following table indicates the impact of management's reasonable expectation on the movement in foreign exchange rate on the Group's profit before income tax and on investment revaluation reserve in equity as at 31 December 2021 and 2020:

As at 31 December 2021

	Impact on profit before tax HK$'000	Impact on investment revaluation reserve in equity HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	**-/+ 11,169**	**-/+ 9,719**
If Hong Kong Dollar strengthens/weakens against JPY by 5%	**–**	**-/+ 7,608**
If Hong Kong Dollar strengthens/weakens against CAD by 5%	**–**	**-/+ 1,241**

As at 31 December 2020

	Impact on profit before tax HK$'000	Impact on investment revaluation reserve in equity HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	-/+ 2,806	-/+ 13,159
If Hong Kong Dollar strengthens/weakens against JPY by 5%	–	-/+ 7,957
If Hong Kong Dollar strengthens/weakens against CAD by 5%	–	-/+ 1,510

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk *(Continued)*

3.1.2 Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as at fair value through other comprehensive income or at fair value through profit or loss. Some of the Group's equity investments are listed on stock exchange in the world and are valued at quoted market prices as at the reporting date.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's exposures are closely monitored by other relevant internal control units, including the Risk Management Department, the Finance Department, the Legal and Compliance Department and the Internal Audit Department.

Listed equity investments

The table below summarises the impact of changes in the Hong Kong's Hang Seng Index and other relevant indexes on the Group's profit before income tax for the year. The analysis is based on the assumption that the equity index had changed by 5% (2020: 5%) with all other variables held constant and all the listed equity instruments move according to the individual securities historical correlation with the index.

Hong Kong Hang Seng Index, Shenzhen Component Index and Shanghai Composite Index

	2021		2020	
	Impact on profit before tax HK$'000	**Impact on equity HK$'000**	Impact on profit before tax HK$'000	Impact on equity HK$'000
Increase/Decrease by 5%	**+/-10,652**	**0**	+/-3,811	0

Unlisted investment funds, unlisted equity investments and convertible bond and loan

The fair value of unlisted investment funds, unlisted equity investments and convertible bond and loan depend on the valuation of the respective investments or underlying investments. It is assumed that if the valuation had increased/decreased by 10%, profit before income tax for the year would have an estimated HK$204,694,000 increase/decrease (2020: HK$161,843,000), and investment revaluation reserve in equity would have an estimated HK$32,297,000 increase/decrease (2020: HK$68,683,000).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk *(Continued)*

3.1.3 Interest rate risk

The Group's exposures to the risk of changes in market interest rates relates primarily to the Group's loan and interest receivables, margin receivables, loan payables, bank borrowings, margin payables, listed debt investments, unlisted notes, unlisted bond investments, and cash and bank balances.

As at 31 December 2021, the Group invests in fixed-income bond instruments which are classified as fair value through profit or loss and fair value through other comprehensive income, and therefore the Group is subject to interest rate risk. Interest rate risk is the risk that the value of the Group's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term fixed-income bond investments and higher for longer term fixed-income bond investments.

The following table illustrates the potential impact, of a parallel upward or downward shift of 50 basis points in relevant interest rates with all other variables remaining constant, on the Group's net profit and equity arising substantially from the increase/decrease in market value of debt securities:

	2021 HK$'000	2020 HK$'000
Impact on profit before tax	**–/+1,272**	–/+1,863
Impact on equity	**–/+3,256**	–/+6,246

The Group's investment in fixed-rate term loans, unlisted notes and bonds are of shorter duration and carried at amortised cost and therefore management consider they are not subject to fair value change as a result of change in reasonable possible shift of market interest rate.

Loans to margin clients at floating/variable rates (such as margin receivables) expose the Group to interest rate risk. Interest income on cash at banks and interest expense on borrowing will fluctuate at floating rates based on movement in short term bank interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable interest rate instruments. As at 31 December 2021, if the interest rate had been 50 basis points (31 December 2020: 50 basis points) higher/lower, the Group's profit before income tax would increase/decrease by HK$496,000 (31 December 2020: decrease/increase of HK$888,000) and would not have impact to the Group's equity (2020: HK$Nil). The sensitivity analysis above is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (31 December 2020: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk

Credit exposures arise principally from financial assets at fair value through profit or loss, financial assets at amortised cost, margin receivables, loan and interest receivables, pledged bank deposits, deposits with brokers, bank balances, financial assets at fair value through other comprehensive income, derivative financial instruments and client trust bank balances with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

Credit risk of the Group mainly arises from credit exposures with respect to margin financing business of the Group's securities brokerage business, investment in debt investments at fair value through other comprehensive income and the loan lending business of the Group. In addition, the Group is exposed to a concentration of credit risk on cash and investments at banks or custodians.

The Group minimises the credit risk by segregating the risk management function from the investment department. This provide a fundamental control to prevent fraud, ensure quality of works, and safeguard the Group's assets as well as integrity of books and records.

The Group manages its credit risk in the following perspectives:

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables

The Group maintains an effective credit risk management system to evaluate creditworthiness of counterparties. The following factors will be considered when determining the credit risk of loan receivables:

1. Counterparties' credit rating by reputable credit rating agencies;
2. Counterparties' investment objective, investment history, and risk appetite;
3. Counterparties' past record and defaults;
4. Counterparties' capital base, the existence and amount of guarantees, and by whom such guarantees are given;
5. Any known events which may have an adverse impact on the counterparties' financial status, potential for default or accuracy of information stored regarding the client; and
6. Where credit is extended to cover margin trading, appropriate haircuts are made to market value to establish the counterparty has adequate equity.

The Group monitors the cash flows from loan receivables to ensure that they are in accordance with mutually signed agreement and the expected timeline. In case there is delay, the Group will communicate with counterparties to identify if there is trigger event on credit risk issue.

The Group uses three categories for loans and interest receivables, margin receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables which reflect their credit risk and how the ECL allowance is determined for each of those categories. Please refer to note 2.9 for definition of these three categories.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

Loan Lending Business and Financial Assets at Amortised Cost

The Group assesses credit risk of loans to corporate clients and note receivables issued by the issuer by performing credit assessments, which are also subject to regular review and monitoring.

For the loans or note receivables guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

Risk Management Department provides regular credit management information reports and ad hoc reports to the Investment Committee to facilitate their continuous monitoring of credit risk. In addition, the Group identifies credit concentration risk by industry, geography, client and counterparty. The Group monitors changes to counterparty risk, quality of the credit portfolio and concentration risk, and reports regularly to the Group's Management. The Group adopts loan grading criteria which divides credit assets into three stage ECL model under the requirement of HKFRS 9.

Debt Investments at Fair Value Through Other Comprehensive Income and Other Interest Receivables

Debt securities are classified as financial assets at fair value through other comprehensive income and at fair value through profit or loss. Other interest receivables are mainly arisen from the debt securities. The debt securities are mainly listed in The Hong Kong Stock Exchange and overseas exchanges. The Risk Management Department of the Group assesses the financial strengths and performance of the issuers to ensure the issuers satisfy the repayment of principal and interest as they fall due. The Investment Committee limits the size of the debt portfolio and limits the exposure to a single industry and issuer in order to control the credit risk. The Risk Management Department also closely monitors the changes in the credit ratings of the issuers and follows the market news for taking immediate actions if there is an indication of a deterioration of the repayment ability of the issuers.

Margin Finance Business

Margin clients of the Group are required to pledge their security investments to the Group for the facilities for securities trading. The amount of facilities granted to them is determined by the discounted values of the shares and is monitored on an ongoing basis. The collateral for covering the credit risk exposure in case of default is subject to mark-to-market monitoring on a daily basis.

Default, margin call and forced liquidation procedures are in place for margin clients. When a customer's margin loan balance exceeds the credit limit granted, the Group will generate an alerter to help monitor its status and decide whether any additional collateral is required. The Group will take into consideration of various factors such as customers' background and the interest rate of loan, in particular, the loan-to-value ratio in excess of certain percentage in making requests for additional collateral.

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of the margin finance business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral accepted by the Group.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

Other Trade Receivables

For other trade receivable arising from the business of underwriting, due diligence on client's business and repayment ability will be conducted before granting of credit. Corporate Finance Department will closely update the client's business change through frequent contact with client. Exit strategies are set in place before granting of each credit.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for other trade receivable arising from the business of underwriting and the identified impairment loss was immaterial.

As at 31 December 2021, other trade receivables arising from the business of asset management including management fee and performance fee receivables from four major investment funds and managed accounts amounted to HK$26,629,000 (2020: HK$9,664,000) which accounted for 100% (2020: 100%) of the total outstanding balance. Please refer to note 22 below for additional disclosures on credit risk.

Cash and Cash Equivalent

Cash and cash equivalent are placed in various authorised institutions and the Directors of the Group consider that the credit risk arising from cash and cash equivalent is minimal.

Three Stage ECL Model under the requirement of HKFRS 9

The Group has five types of financial assets that are subject to the ECL model under HKFRS 9:

— Loan and interest receivables

— Margin receivables

— Financial assets at amortised cost

— Debt investments at fair value through other comprehensive income

— Other interest receivables

While cash and cash equivalents and other assets are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

Determining Appropriate Models and Assumption of the Measurement of ECL

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since origination or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). PD, EAD and LGD are defined as follows:

— The PD represents the likelihood of a borrower defaulting on its financial obligation.

— EAD is based on the amounts the Group expects to be owed at the time of default.

— Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for 12-month or lifetime and for each individual exposure or collective segment. These three components are multiplied together. This effectively calculates the ECL for 12-month or lifetime, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

PD is driven by internal credit risk rating, observed historical data and macroeconomic variables. The relationship between PD and macroeconomic variables is developed by the statistical regression model and the lifetime PD is derived by input of forward-looking macroeconomic variables.

The 12-month and lifetime EADs are determined based on the expected payment profile and portfolios, which varies by product type.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

Expected Credit Loss Methodology

The estimated loss rates for each class of financial assets are estimated based on historical observed default rates over the expected life of the respective class of financial assets and are adjusted for forward-looking information that is available without undue cost or effort, including macroeconomic data such as GDP growth, unemployment rate and inflation rate.

The Group uses three stage ECL model under the requirement of HKFRS 9 to reflect the credit risk and how the ECL is determined for each of those stage. Please refer to note 2.9 for definition of these three stages.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The "Baseline" scenario represents a most likely outcome and the other two scenarios, referred to as "Good" scenario and "Bad" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

The probability weight assigned for each scenario reflects the observed historical trend for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance.

The Group updates the macroeconomic factors used in the ECL model and the probability weight of economic scenarios on a semi-annual basis according to the latest available forecast/historical data issued by authoritative institutions.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

The gross carrying amount of loan and interest receivables, margin receivables, financial assets at amortised cost, other interest receivables and the carrying amount of debt investments at fair value through other comprehensive income and thus the maximum exposure to loss, are as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000
Loan and interest receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	**40,183**	180,000
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**385,611**	264,182
Total gross loan and interest receivables	**425,794**	444,182
Less: ECL allowances	**(301,206)**	(264,381)
Loan and interest receivables, net of expected credit losses	**124,588**	179,801
Margin receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	**42,927**	52,570
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**63,563**	63,563
Total gross margin receivables	**106,490**	116,133
Less: ECL allowances	**(63,570)**	(63,601)
Margin receivables, net of expected credit losses	**42,920**	52,532
Financial assets at amortised cost		
Stage 1 — Unimpaired and without significant increase in credit risk	**33,890**	444,670
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**144,384**	–
Total gross financial assets at amortised cost	**178,274**	444,670
Less: ECL allowances	**(99,364)**	(805)
Financial assets at amortised cost, net of expected credit losses	**78,910**	443,865
Debt investments at fair value through other comprehensive income		
Stage 1 — Unimpaired and without significant increase in credit risk	**303,685**	1,120,331
Stage 2 — Significant increase in credit risk	**120,114**	–
Stage 3 — Credit-impaired	**164,845**	45,765
Total debt investments at fair value through other comprehensive income	**588,644**	1,166,096
ECL allowances for debt investments at fair value through other comprehensive income	**(382,011)**	(36,167)
Other interest receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	**10,558**	–
Stage 2 — Significant increase in credit risk	**5,498**	–
Stage 3 — Credit-impaired	**21,144**	–
Total gross other interest receivables	**37,200**	–
Less: ECL allowances	**(15,583)**	–
Other interest receivables net of expected credit losses	**21,617**	–

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

The following table reconcile the movement in ECL allowances between the beginning and the end of the financial years:

As at 31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Loan and interest receivables				
ECL allowances as at 1 January 2021	318	–	264,063	264,381
Changes in inputs or assumptions	(119)	–	(11,624)	(11,743)
ECL allowances derecognised during the year	(199)	–	–	(199)
Net impact on ECL allowances of new financial assets purchased	57	–	48,710	48,767
ECL allowances as at 31 December 2021	57	–	301,149	301,206
Margin receivables				
ECL allowances as at 1 January 2021	38	–	63,563	63,601
Changes in inputs or assumptions	(31)	–	–	(31)
ECL allowances as at 31 December 2021	7	–	63,563	63,570
Financial assets at amortised cost				
ECL allowances as at 1 January 2021	805	–	–	805
Transfer from Stage 1 to Stage 3	(17)	–	17	–
Changes in inputs or assumptions	(426)	–	99,221	98,795
ECL allowances derecognised during the year	(236)	–	–	(236)
ECL allowances as at 31 December 2021	126	–	99,238	99,364
Debt investments at fair value through other comprehensive income				
ECL allowances as at 1 January 2021	1,142	–	35,025	36,167
Transfer from Stage 1 to Stage 2	(20)	20	–	–
Transfer from Stage 1 to Stage 3	(393)	–	393	–
Changes in inputs or assumptions	1,614	1,635	332,270	335,519
ECL allowances derecognised during the year	(577)	–	–	(577)
Net impact on ECL allowances of new financial assets purchased	331	478	10,093	10,902
ECL allowances as at 31 December 2021	2,097	2,133	377,781	382,011
Other interest receivables				
ECL allowances as at 1 January 2021	–	–	–	–
Changes in inputs or assumptions	45	28	12,418	12,491
Net impact on ECL allowances of new financial assets purchased	32	29	3,031	3,092
ECL allowances as at 31 December 2021	77	57	15,449	15,583

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

As at 31 December 2021 *(Continued)*

	HK$'000
ECL allowances recognised/(reversed) in profit or loss during the year	
— Loan and interest receivables	**36,632**
— Margin receivables	**(31)**
— Financial assets at amortised cost	**98,559**
— Debt investments at fair value through other comprehensive income	**345,844**
— Other interest receivables	**15,583**
	496,587

As at 31 December 2020

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Loan and interest receivables				
ECL allowances as at 1 January 2020	224	–	289,393	289,617
Changes in inputs or assumptions	94	–	–	94
ECL allowances derecognised during the year	–	–	(25,330)	(25,330)
ECL allowances as at 31 December 2020	318	–	264,063	264,381
Margin receivables				
ECL allowances as at 1 January 2020	16	–	54,640	54,656
Changes in inputs or assumptions	22	–	8,923	8,945
ECL allowance as at 31 December 2020	38	–	63,563	63,601
Financial assets at amortised cost				
ECL allowances as at 1 January 2020	578	–	–	578
Changes in inputs or assumptions	227	–	–	227
ECL allowances as at 31 December 2020	805	–	–	805
Debt investments at fair value through other comprehensive income				
ECL allowances as at 1 January 2020	–	–	–	–
Changes in inputs or assumptions	1,142	–	35,025	36,167
ECL allowances as at 31 December 2020	1,142	–	35,025	36,167

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

As at 31 December 2020 *(Continued)*

	HK$'000
ECL allowances (reversed)/recognised in profit or loss during the year	
— Loan and interest receivables	(25,236)
— Margin receivables	8,945
— Financial assets at amortised cost	227
— Debt investments at fair value through other comprehensive income	36,167
	20,103

Based on HKFRS 9 ECL assessment on margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables, the Group recognised a provision for ECL allowances of HK$496,587,000 in profit or loss for the year ended 31 December 2021 (2020: HK$20,103,000).

Cash and Investments at Bank or Custodian

The Group's bank balances are deposited in reputable and large commercial banks. For the client trust bank balances which are held in segregated accounts, they are deposited in authorised financial institutions in Hong Kong. The credit risk of bank balances and client segregated bank balances are considered to be low. The Group has exposure to the concentration of credit risk from one bank of HK$302,034,000 (2020: HK$351,674,000) with a credit rating of BBB+ (2020: BBB+) by Standard & Poor's.

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

Internal credit rating	Description	Recognition of ECL
Non-watch list	The counterparty has a low risk of default and does not have any past-due amounts or has past due amounts but the payment has not been past due for 30 days (margin financing: no shortfall)	12-month ECL
Watch list	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or there is evidence indicating the asset is credit-impaired	Lifetime ECL
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Cash and Investments at Bank or Custodian *(Continued)*

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000
Margin receivables	22	N/A	Non-watch list	12- month ECL	42,927	52,570
			Watch list	Lifetime ECL (credit-impaired)	63,563	63,563
					106,490	116,133
Loan and interest receivables	23	N/A	Non-watch list	12- month ECL	40,183	180,000
			Watch list	Lifetime ECL (credit-impaired)	385,611	264,182
					425,794	444,182
Financial assets at amortised cost	21	N/A	Non-watch list	12- month ECL	33,890	444,670
			Watch list	Lifetime ECL (credit-impaired)	144,384	–
					178,274	444,670
Debt investments at fair value through other comprehensive income (Note 1)	20	"B or above (S&P)/ B2 or above (Moody's)"	Non-watch list	12- month ECL	188,405	1,004,791
		Not rated	Non-watch list	12- month ECL	115,280	115,540
		"B to B- (S&P)/B2 to B3 (Moody's)"	Watch list	Lifetime ECL (not credit-impaired)	120,114	–
		"B- or below (S&P)/B3 or below (Moody's)"	Watch list	Lifetime ECL (credit-impaired)	164,845	45,765
					588,644	1,166,096
Other interest receivables		"B or above (S&P)/B2 or above (Moody's)"	Non-watch list	12- month ECL	6,559	–
		Not rated	Non-watch list	12- month ECL	3,999	–
		"B to B- (S&P)/B2 to B3 (Moody's)"	Watch list	Lifetime ECL (not credit-impaired)	5,498	–
		"B- or below (S&P)/B3 or below (Moody's)"	Watch list	Lifetime ECL (credit-impaired)	21,144	–
					37,200	–
Cash and cash equivalents (Note 2)	25	"BB or above (S&P)/Ba2 or above (Moody's)"	N/A	12- month ECL	777,318	613,295
		Not rated	N/A	12- month ECL	3,505	13,681
					780,823	626,976
Deposits with brokers (Note 2)	25	"BB or above (S&P)/Ba2 or above (Moody's)"	N/A	12- month ECL	103,761	44,501
		Not rated	N/A	12- month ECL	77,414	126,469
					181,175	170,970
Other receivables, prepayments and deposits (Note 2)	24	N/A	N/A	12- month ECL	134,608	17,737

Note 1: Debt investments at fair value through other comprehensive income are stated at carrying amount measured at fair value.

Note 2: The Group considers the impacts of the ECL on these financial assets are immaterial and no reconciliation of gross carrying amount and impairment allowance have been prepared.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk

Interest-bearing borrowings are the general sources of funds to finance the operations of the Group. Certain external financing of the Group are subject to floating rates and are renewable upon maturity. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

Certain subsidiaries of the Group's operations are subject to various statutory liquidity requirements as prescribed by the Hong Kong's Securities and Futures Commission (the "SFC") in accordance with the Hong Kong's Securities and Futures Ordinance (the "HKSFO"). The Group has put in place a monitoring system to ensure that these subsidiaries maintain adequate liquid capital to fund their business commitments and to comply with relevant liquid capital requirements under the HKSFO. The liquidity risk of the Group is managed by regularly monitoring current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term. The Group holds sufficient cash and deposits on demand to repay its liabilities.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities as at 31 December 2021 and 2020. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2021

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Loan and interest payables	164,437	–	–	–	164,437
Margin payables	9,164	–	–	–	9,164
Financial liabilities at fair value through profit or loss	115,785	–	–	–	115,785
Lease liabilities	2,813	–	–	–	2,813
Accruals and other payables	56,056	–	–	–	56,056
	348,255	–	–	–	348,255

As at 31 December 2020

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Loan and interest payables	251,623	75,041	–	–	326,664
Margin payables	205,958	–	–	–	205,958
Financial liabilities at fair value through profit or loss	145,037	–	–	–	145,037
Lease liabilities	10,547	4,604	4,692	–	19,843
Accruals and other payables	11,707	–	–	–	11,707
	624,872	79,645	4,692	–	709,209

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Capital management

The Group's objectives when managing capital are:

(a) to comply with the liquid capital requirements under the SFC in Hong Kong;

(b) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

(c) to support the Group's stability and growth; and

(d) to maintain a strong capital base to support the development of its business.

Consistent within others in the industry, the Group monitors capital on the basis of gearing ratio which is calculated as total debt (including margin payables and loan and interest payables) divided by total equity.

The Group's gearing ratio at the end of the reporting period is shown below:

	2021 **HK$'000**	2020 HK$'000
Total debt	**172,353**	523,915
Total equity	**4,940,675**	5,288,622
Gearing ratio	**3.5%**	9.9%

Two subsidiaries (2020: Three) of the Group (the "Licensed Subsidiaries") are registered with the SFC to conduct respective regulated activities in Hong Kong. The Licensed Subsidiaries are subject to liquid capital requirements under the Securities and Futures (Financial Resources) Rules (the "FRR") adopted by the SFC. Under the FRR, the Licensed Subsidiaries must maintain its liquid capital (assets and liabilities adjusted as determined by the FRR) in excess of required liquid capital.

All licensed corporations within the Group complied with their required liquid capital during the years ended 31 December 2021 and 2020.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation

The following table represents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 13 Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level):	fair values measured using quoted prices (unadjusted) in active markets.
Level 2:	fair values measured using quoted price in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
Level 3 (lowest level):	fair values measured using valuation techniques in which any significant input is not based on observable market data.

Valuation Process

The Group engages external valuation firm to perform the valuation of investment projects for financial reporting purpose, including level 3 fair values. The external valuation firm reports directly to the Head of Finance of the Group and Head of Finance reports to the Audit Committee ("AC"). Discussions of valuation processes and results are held between the Head of Finance, AC and external valuation firm at least once every six months, in line with the Group's half-yearly reporting periods.

The main level 3 inputs used by the Group are derived and evaluated as follows.

Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific of the asset.

Earnings/Sales growth factors for unlisted equity securities are estimated based on market information for similar types of companies.

Contingent consideration — expected cash flows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and level 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the Head of Finance, AC and the external valuation firm. As part of this discussion the Head of Finance presents and explains the reason for the fair value movements.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

The following tables present the Group's financial assets and liabilities that are measured at fair value as at 31 December 2021 and 31 December 2020.

As at 31 December 2021

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity investments	–	–	1,620,791	1,620,791
— Unlisted investment funds	–	–	389,825	389,825
— Convertible loan	–	–	14,912	14,912
— Listed equity investments	504,795	25,760	–	530,555
— Listed debt investments	–	228,590	–	228,590
— Unlisted notes	–	–	21,415	21,415
Total	504,795	254,350	2,046,943	2,806,088
Financial assets at fair value through other comprehensive income				
— Listed debts investments	–	588,644	–	588,644
— Listed equity investments	–	62,545	–	62,545
— Unlisted investment funds	–	–	322,966	322,966
Total	–	651,189	322,966	974,155
Total assets	504,795	905,539	2,369,909	3,780,243
Liabilities				
Financial liabilities at fair value through profit or loss				
— Payable to holders of non-controlling interests in unlisted consolidated investment fund	–	115,785	–	115,785
Total liabilities	–	115,785	–	115,785

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

As at 31 December 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity investments	–	–	953,768	953,768
— Unlisted investment funds	–	–	392,142	392,142
— Convertible bonds and loan	–	–	101,591	101,591
— Listed equity investments	193,384	–	–	193,384
— Listed debt investments	–	571,638	–	571,638
— Unlisted notes	–	–	216,611	216,611
Total	193,384	571,638	1,664,112	2,429,134
Financial assets at fair value through other comprehensive income				
— Listed debts investments	–	1,249,190	–	1,249,190
— Unlisted investment funds	–	64,602	622,229	686,831
Total	–	1,313,792	622,229	1,936,021
Total assets	193,384	1,885,430	2,286,341	4,365,155
Liabilities				
Financial liabilities at fair value through profit or loss				
— Payable to holders of non-controlling interests in unlisted consolidated investment fund	–	145,037	–	145,037
Total liabilities	–	145,037	–	145,037

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as financial assets at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Unlisted investment funds classified as level 2 is mainly because they are open-ended investment fund and their underlying investments are listed equity investments.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

Unlisted investment funds classified as level 3 is principally due to their underlying investments are unlisted equity or unlisted debt investments.

The fair value of payable to holders of non-controlling interests in unlisted consolidated investment fund is measured using net asset value of the investment fund.

The carrying amounts of the group's financial instruments carried at amortised cost approximate its fair values as at 31 December 2021 and 2020.

The following table presents the changes in level 3 items for the year ended 31 December 2021 and 31 December 2020 for recurring fair value measurements:

As at 31 December 2021

	Unlisted equity investments HK$'000	Unlisted investment funds HK$'000	Convertible loan HK$'000	Unlisted notes HK$'000	Total HK$'000
Assets					
Opening balance as at beginning of the year	953,768	1,014,371	101,591	216,611	2,286,341
Purchases	–	214,662	–	–	214,662
Disposals	(16,006)	(208,750)	(87,967)	(174,211)	(486,934)
Transfer (to)/from level 2	–	64,602	–	–	64,602
Transfer from convertible loan to unlisted equity investments	37,565	–	(37,565)	–	–
Amounts recognised in profit or loss					
Currency translation difference	(3,978)	–	(1,531)	–	(5,509)
Gain/(loss) recognised in financial assets at fair value through profit or loss*	649,442	(40,980)	40,384	(20,985)	627,861
Net loss recognised in other comprehensive income	–	(331,114)	–	–	(331,114)
Closing balance as at the end of the year	1,620,791	712,791	14,912	21,415	2,369,909
* includes unrealised gain/(loss) recognised in profit or loss attributable to balances held at the end of the reporting period	640,017	(51,606)	1,416	(20,763)	569,064

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

As at 31 December 2020

	Unlisted equity investments HK$'000	Unlisted investment funds HK$'000	Convertible bonds and loan HK$'000	Unlisted notes HK$'000	Total HK$'000
Assets					
Opening balance as at beginning of the year	459,669	180,199	295,938	–	935,806
Purchases	–	744,172	52,591	220,799	1,017,562
Disposals	–	–	(30,000)	–	(30,000)
Transfer from convertible bond to unlisted equity investments	295,938	–	(295,938)	–	–
Transfer from level 2	–	–	52,450	–	52,450
Amounts recognised in profit or loss	–				
Currency translation difference	11	–	–	–	11
Gain/(loss) recognised in financial assets at fair value through profit or loss	198,150	64,671	26,550	(4,188)	285,183
Net gain recognised in other comprehensive income	–	25,329	–	–	25,329
Closing balance as at end of the year	953,768	1,014,371	101,591	216,611	2,286,341
* includes unrealised gain/(loss) recognised in profit or loss attributable to balances held at the end of the reporting period	198,150	64,671	26,550	(4,188)	285,183

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

Below is the table setting out quantitative information about fair value measurements using significant unobservable inputs (Level 3).

Equity Investments	Fair value as at 31 December 2021 HK$000	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Unlisted equity investments	1,265,471	Market approach	Price to sales ratio	3.4x	The higher the ratio, the higher the fair value
			Discount rate for lack of marketability	23.48%	The higher the discount rate, the lower the fair value
	314,652	Market approach	Price to book ratio	2.2x	The higher the ratio, the higher the fair value
			Discount rate for lack of marketability	16.95%	The higher the discount rate, the lower the fair value
	40,668	Recent transaction	n/a	n/a	n/a
Unlisted investment funds	137,246	Recent transaction	n/a	n/a	n/a
	569,927	Net asset value	n/a	n/a	n/a
	5,618	Adjusted net asset value (Note a)	n/a	n/a	n/a
Convertible loan	14,912	Recent transaction	n/a	n/a	n/a
Unlisted notes	21,415	Broker quotation	n/a	n/a	n/a

Note a: Adjusted net asset value represents adjustments on the net asset value of the fund by making impairment on certain investments of the fund. Please refer to note 20.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

Equity Investments	Fair value as at 31 December 2020 HK$000	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Unlisted equity investments	658,971	Market approach	Price to sales ratio	3.2x	The higher the ratio, the higher the fair value
			Discount rate for lack of marketability	25.02%	The higher the discount rate, the lower the fair value
	294,599	Market approach	Price to book ratio	2.2x	The higher the ratio, the higher the fair value
			Discount rate for lack of marketability	17.12%	The higher the discount rate, the lower the fair value
Unlisted investment funds	100,784	Market approach	Price to sales ratio	2.8x	The higher the ratio, the higher the fair value
			Discount rate for lack of marketability	21.23%	The higher the discount rate, the lower the fair value
	913,587	Net asset value	n/a	n/a	n/a
Convertible bonds and loan	49,000	Recoverable amount	Price to book ratio	1.0x	The higher the ratio, the higher the fair value
			Discount rate for lack of marketability	16.98%	The higher the discount rate, the lower the fair value
			Recovery rate	38.13%	The higher the rates, the higher the fair value
	52,591	Recent transaction	n/a	n/a	n/a
Unlisted notes	174,434	Recent transaction	n/a	n/a	n/a
	42,177	Broker quotation	n/a	n/a	n/a

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. According to the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and Clearing Participant of China Securities Depository, Clearing Corporation Limited ("CSDC") and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC, CSDC and brokers on the same settlement date and the Group intends to set off on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Offsetting financial assets and financial liabilities *(Continued)*

As at 31 December 2021

	Gross amount of recognised financial assets/ (liabilities) HK$'000	Gross amount of recognised financial (assets)/ liabilities offset in the financial statements HK$'000	Net amounts of financial assets/ (liabilities) reflected in the financial statements HK$'000	Related amounts not set off in the statement of financial position		Net HK$'000
				Amounts subject to master netting arrangements HK$'000	Collateral received HK$'000	
Financial assets						
Accounts receivable arising from brokerage — the Stock Exchange and other clearing houses	–	–	–	–	–	–
Deposit placed with clearing houses	3,306	–	3,306	–	–	3,306
Margin receivables	42,920	–	42,920	–	(42,920)	–
Total	46,226	–	46,226	–	(42,920)	3,306
Financial liabilities						
Accounts payable arising from brokerage — the Stock Exchange and other clearing houses	–	–	–	–	–	–
Total	–	–	–	–	–	–

As at 31 December 2020

	Gross amount of recognised financial assets/ (liabilities) HK$'000	Gross amount of recognised financial (assets)/ liabilities offset in the financial statements HK$'000	Net amounts of financial assets/ (liabilities) reflected in the financial statements HK$'000	Related amounts not set off in the statement of financial position		Net HK$'000
				Amounts subject to master netting arrangements HK$'000	Collateral received HK$'000	
Financial assets						
Accounts receivable arising from brokerage — the Stock Exchange and other clearing houses	1,412	(1,084)	328	–	–	328
Deposits placed with clearing houses	6,030	–	6,030	–	–	6,030
Margin receivables	52,532	–	52,532	–	(52,532)	–
Total	59,974	(1,084)	58,890	–	(52,532)	6,358
Financial liabilities						
Accounts payable arising from brokerage — the Stock Exchange and other clearing houses	(1,084)	1,084	–	–	–	–
Total	(1,084)	1,084	–	–	–	–

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which were categorised as level 3

The directors of the Group use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of unlisted equity instruments are determined in accordance with generally accepted pricing models, which includes certain assumptions not supported by observable market prices or rates. Changes to the assumptions or inputs used in deriving the valuation including the impacts of COVID-19 would have a significant impact to the fair value of these financial assets and liabilities in the consolidation statement of financial position. The carrying amount of such unlisted investment in financial assets classified as level 3 as at 31 December 2021 are approximately HK$2,369,909,000 (2020: HK$2,286,341,000). The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

ECL allowances on loan and interest receivables, margin receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables

The Group reviews its loan receivables from loan lending business, margin receivables from margin financing business and its investments in bonds/notes classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and other interest receivables to assess ECL allowance on each individual loan and investment in bond/note at least on a quarterly basis. The internal credit risk on individual loan receivable plays a critical factor on the ECL impairment model. Risk Management Department maintains a watch list for risk monitoring on all loans receivables and investments in bonds/notes classified as financial assets at amortised cost and financial assets at fair value through other comprehensive income to determine the internal credit category of each individual loan receivable and investment in bond/note classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and other interest receivables. This evidence may include overdue days based on contract note and other observable data indicating that there has been an adverse change in the credit quality of the borrowers and issuers in a group. In light of continued effects of COVID-19, the Group has also considered the potential impact on ECL allowance as of 31 December 2021 and considered the impact to be not significant.

Relevant information with regard to the exposure to credit risk and expected credit losses are set out in note 3.2 to the consolidated financial statements.

5. SEGMENT INFORMATION

Chief operating decision maker ("CODM") has been identified as the Executive Directors of the Company. Management has determined the operating segments based on the reports reviewed by the CODM that are used to assess performance and allocate resources. The CODM considers the business from the operations nature perspective, including the provision for asset management services ("Asset management"), securities brokerage services ("Securities brokerage"), investment holding ("Investment holding") and investment banking ("Investment banking"). Each of the Group's operating segments represents a strategic business unit that is managed by different business unit leaders. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

For the year ended 31 December 2021

	Reportable segment						
	Asset management HK$'000	Securities brokerage HK$'000	Investment holding HK$'000	Investment banking HK$'000	Total HK$'000	Unallocated amount HK$'000 (Note)	Total HK$'000
Interest income	–	5,167	213,639	–	218,806	349	219,155
Commission and fee income	53,337	384	2,893	3,396	60,010	9,831	69,841
Investment income	–	–	13,544	–	13,544	–	13,544
Revenue from external customers	53,337	5,551	230,076	3,396	292,360	10,180	302,540
Net gain/(loss) on financial assets/liabilities	–	–	460,818	–	460,818	(5,785)	455,033
	53,337	5,551	690,894	3,396	753,178	4,395	757,573
Segment profit/(loss) before income tax	34,760	(9,974)	118,669	1,216	144,671	(38,201)	106,470
Other segment information:							
Depreciation	(53)	(390)	(508)	–	(951)	(9,744)	(10,695)
Staff costs and related expenses	(10,332)	(10,560)	(23,120)	(2,053)	(46,065)	6,534	(39,531)

For the year ended 31 December 2020

	Reportable segment						
	Asset management HK$'000	Securities brokerage HK$'000	Investment holding HK$'000	Investment banking HK$'000	Total HK$'000	Unallocated amount HK$'000 (Note)	Total HK$'000
Interest income	2	15,276	253,928	–	269,206	4,447	273,653
Commission and fee income	10,297	9,090	8,878	305	28,570	–	28,570
Investment income	–	–	16,104	–	16,104	–	16,104
Revenue from external customers	10,299	24,366	278,910	305	313,880	4,447	318,327
Net gain on financial assets/liabilities	–	–	352,583	–	352,583	4,515	357,098
	10,299	24,366	631,493	305	666,463	8,962	675,425
Segment profit/(loss) before income tax	(10,360)	(8,616)	564,004	(3,898)	541,130	(163,260)	377,870
Other segment information:							
Depreciation	(134)	(2,163)	(54)	–	(2,351)	(9,542)	(11,893)
Staff costs and related expenses	(9,954)	(11,081)	(8,095)	(3,077)	(32,207)	(118,876)	(151,083)

Note: The "unallocated amount" primarily included unallocated service fee income and expenditures for head office operations as well as interest income and interest expenses for general working capital.

5. SEGMENT INFORMATION *(Continued)*

Breakdown of the revenue from external customers and net gain/(loss) on financial assets and liabilities by geographical location is as follows:

For the year ended 31 December 2021

	Hong Kong HK$'000	The PRC HK$'000	Japan HK$'000	Canada HK$'000	Total HK$'000
Revenue from external customers	**291,651**	**3,892**	**6,815**	**182**	**302,540**
Net gain/(loss) on financial assets/liabilities	**485,352**	**(38,816)**	**8,497**	**–**	**455,033**
	777,003	**(34,924)**	**15,312**	**182**	**757,573**

For the year ended 31 December 2020

	Hong Kong HK$'000	The PRC HK$'000	Japan HK$'000	Canada HK$'000	Total HK$'000
Revenue from external customers	304,429	9,208	4,678	12	318,327
Net gain on financial assets/liabilities	297,087	60,011	–	–	357,098
	601,516	69,219	4,678	12	675,425

The total non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following:

	2021 HK$'000	2020 HK$'000
Hong Kong	**26,206**	44,131
The PRC	**96,234**	117,552
Japan	**12**	22
Canada	**76**	–
	122,528	161,705

6. REVENUE

	2021 HK$'000	2020 HK$'000
Interest income:		
Interest income from loan lending business *(note i)*	**14,901**	14,301
Interest income from margin financing business *(note i)*	**4,730**	14,529
Interest income from investments in debt instruments classified as financial assets at amortised cost *(note i)*	**23,427**	61,947
Interest income from financial assets at fair value through other comprehensive income *(note i)*	**122,397**	127,496
Interest income from financial assets at fair value through profit or loss	**51,803**	48,649
Other interest income	**1,897**	6,731
	219,155	273,653
Commission and fee income (note ii):		
Advisory fee income	**12,222**	413
Commission income from securities brokerage	**433**	2,621
Loan arrangement fee income	**1,200**	8,878
Fee income received from asset management, net	**53,171**	10,064
Underwriting fee income	**2,815**	6,594
	69,841	28,570
Investment income:		
Dividend income	**13,544**	16,104
	13,544	16,104
	302,540	318,327

Note i: Total interest income calculated using effective interest method from loan lending business, margin financing business, financial assets at amortised cost and financial assets at fair value through other comprehensive income amounted to HK$165,455,000 (2020: HK$218,273,000).

Note ii: Commission fee income is the only revenue arising from HKFRS 15, while interest income and investment income are under the scope of HKFRS 9. Included in revenue arising from contract with customers recognised at a point of time and over time were revenue of HK$14,230,000 (2020: HK$18,093,000) and HK$55,611,000 (2020: HK$10,477,000) respectively.

7. NET GAIN ON FINANCIAL ASSETS/LIABILITIES

	2021 HK$'000	2020 HK$'000
Gain on financial assets/liabilities at fair value through profit or loss	**479,294**	346,273
(Loss)/gain on financial assets at fair value through other comprehensive income	**(24,261)**	10,129
Gain on financial assets at amortised cost	**–**	696
	455,033	357,098

8. PROFIT BEFORE INCOME TAX

	2021 HK$'000	2020 HK$'000
Profit before income tax has been arrived at after (crediting)/charging:		
Auditors' remuneration	**2,800**	2,800
Written-off of property, plant and equipment	**–**	383
Provision for/(reversal of) ECL allowances		
— loan and interest receivables	**36,632**	(25,236)
— margin receivables	**(31)**	8,945
— financial assets at amortised cost	**98,559**	227
— financial assets at fair value through other comprehensive income	**345,844**	36,167
— other interest receivables	**15,583**	–
	496,587	20,103
Foreign exchange gain, net	**(7,463)**	(21,483)

9. INCOME TAX

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 during the year and taxation on profits assessable elsewhere have been calculated at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2020: 25%).

	2021	2020
	HK$'000	HK$'000
Hong Kong Profits Tax		
— charge for the year	**99,288**	42,306
— (over)/underprovision for prior year	**(4,653)**	1,275
PRC Enterprise Income Tax		
— charge for the year	**63**	383
— overprovision for prior year	**(55)**	–
Overseas income tax		
— charge for the year	**362**	686
— overprovision for prior year	**(474)**	–
Deferred tax		
— (credit)/charge for the year	**(56,482)**	11,374
— overprovision for prior year	**(1,759)**	(445)
Income tax expense	**36,290**	55,579

The income tax for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss as follows:

	2021	2020
	HK$'000	HK$'000
Profit before income tax	**106,470**	377,870
Income tax at income tax rate applicable to assessable profit of the operation in different jurisdictions	**11,972**	64,587
Tax effect of expenses not deductible for tax purpose	**49,311**	6,724
Tax effect of income not taxable for tax purpose	**(17,758)**	(16,193)
Others	**(7,235)**	461
Income tax for the year	**36,290**	55,579

As at 31 December 2021, deferred tax balances of approximately HK$148,592,000 (2020: HK$88,265,000) have been recognised for some of the unused tax losses and temporary differences on depreciation allowances, ECL allowances and unrealised gain/loss on financial assets. There were no material unrecognised tax losses which have been agreed with the Inland Revenue Department.

9. INCOME TAX *(Continued)*

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**156,622**	88,265
Deferred tax liabilities	**(8,030)**	–
	148,592	88,265

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses HK$'000	Fair value change HK$'000	Depreciation allowances HK$'000	Expected credit loss allowances HK$'000	Total HK$'000
At 1 January 2020	99,194	–	–	–	99,194
Charged to profit or loss	(10,929)	–	–	–	(10,929)
At 31 December 2020 and 1 January 2021	88,265	–	–	–	88,265
(Charged)/credited to profit or loss	68,172	(10,297)	(354)	720	58,241
Credited directly to equity	1,959	–	–	–	1,959
Exchange difference arising from translation of foreign operations	–	127	–	–	127
At 31 December 2021	158,396	(10,170)	(354)	720	148,592

10. STAFF COSTS AND RELATED EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000
Staff costs and related expenses:		
Salaries, bonuses and allowances	**37,534**	149,786
Retirement benefit scheme contributions	**1,997**	1,297
	39,531	151,083

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2021

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	(Note) Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000	HK$'000	Total HK$'000
Name of Director									
Mr. Tomohiko Watanabe	571	–	–	–	–	–	–	6,181	6,752
Mr. Ni Xinguang	791	–	–	–	18	–	–	–	809
Ms. Li Wei	571	–	–	–	–	–	–	226	797
Mr. Zhang Yang	250	–	–	–	–	–	–	–	250
Ms. Zhou Hui	250	–	–	–	–	–	–	–	250
Mr. Wang Yongli	250	–	–	–	–	–	–	–	250
Mr. Dong Hao	250	–	–	–	–	–	–	–	250
Mr. Zhang Boyang [1]	24	–	–	–	–	–	–	–	24
Total for 2021	2,957	–	–	–	18	–	–	6,407	9,382

1 Appointed on 26 November 2021

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2020

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	(Note) Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000	HK$'000	Total HK$'000
Name of Director									
Mr. Tomohiko Watanabe	600	–	–	–	–	–	–	5,340	5,940
Mr. Ni Xinguang	840	–	–	–	–	–	–	18	858
Ms. Li Wei	600	–	–	–	–	–	–	818	1,418
Mr. Wang Dongzhi[1]	300	–	–	–	–	–	–	–	300
Mr. Zhang Yang[2]	154	–	–	–	–	–	–	–	154
Ms. Zhou Hui	250	–	–	–	–	–	–	–	250
Mr. Wang Yongli	250	–	–	–	–	–	–	–	250
Mr. Dong Hao	250	–	–	–	–	–	–	–	250
Total for 2020	3,244	–	–	–	–	–	–	6,176	9,420

1 Retired on 29 June 2020

2 Appointed on 20 May 2020

Note:

Estimated money values of other benefits include rent paid, share options, share base payment and insurance premium.

Neither the chief executive nor any of the directors waived any emoluments during the year (2020: HK$ Nil).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

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

Except for transactions disclosed in note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five highest paid individuals in the Group during the year included 1 (2020: 1) director whose emoluments is reflected in the analysis presented in Note 11(a). The emoluments of the remaining 4 (2020: 4) individuals are set out below:

	2021 HK$'000	2020 HK$'000
Basic salaries, award and allowances	11,334	12,489
Discretionary bonus	9,100	–
Retirement benefit scheme contributions	65	69
	20,499	12,558

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	–	1
HK$3,500,001 to HK$4,000,000	1	1
HK$4,000,001 to HK$4,500,000	2	1
HK$8,000,001 to HK$8,500,000	1	–
	4	4

(d) Key management personnel compensation

	2021 HK$'000	2020 HK$'000
Basic salaries, award and allowances	18,640	21,485
Discretionary bonus	11,100	–
Retirement benefit scheme contributions	118	115
	29,858	21,600

12. DIVIDEND

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

13. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$71,189,000 (2020: HK$323,452,000) and the weighted average number of ordinary shares of approximately 32,983,714,000 (2020: 33,165,299,000) in issue during the year (excluding the ordinary shares purchased by the Company under the share award plan).

Diluted earnings per share

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the year ended 31 December 2021 and 31 December 2020. The 2020 comparative figure of the diluted earnings per share amount has been restated to exclude the effect of own shares of approximately 1,549,160,000 shares acquired and held in trust.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Software HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2020	24,480	11,711	2,150	6,266	44,607
Additions	4,676	959	381	–	6,016
Write-off/disposals	(3,945)	(587)	(151)	–	(4,683)
Currency translation difference	238	160	1	321	720
At 31 December 2020 and 1 January 2021	25,449	12,243	2,381	6,587	46,660
Additions	343	256	405	–	1,004
Disposal of subsidiaries (note 38)	(2,510)	(2,654)	–	(5,876)	(11,040)
Currency translation difference	90	28	–	55	173
At 31 December 2021	23,372	9,873	2,786	766	36,797
Accumulated depreciation and impairment					
At 1 January 2020	6,602	4,880	873	5,230	17,585
Charge for the year	9,330	1,865	445	253	11,893
Write-off/disposals	(3,945)	(315)	(40)	–	(4,300)
Currency translation difference	66	109	–	321	496
At 31 December 2020 and 1 January 2021	12,053	6,539	1,278	5,804	25,674
Charge for the year	8,240	1,774	453	228	10,695
Disposal of subsidiaries (note 38)	(1,307)	(1,871)	–	(5,730)	(8,908)
Currency translation difference	19	18	–	55	92
At 31 December 2021	19,005	6,460	1,731	357	27,553
Carrying amount					
At 31 December 2021	4,367	3,413	1,055	409	9,244
At 31 December 2020	13,396	5,704	1,103	783	20,986

15. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2021 HK$'000	2020 HK$'000
Securities brokerage:		
China Vered Securities Limited ("CVS")	**10,792**	10,792
Asset management:		
China Vered Asset Management (Hong Kong) Limited ("CVAM")	**5,079**	5,079
	15,871	15,871

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, revenue growth rate and expenses growth rate, and long term growth rate during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Revenue and expenses growth rate are based on past practices and expectations on market development.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the value-in-use calculations in 2021 and 2020 are as follows.

	2021		2020	
	Securities brokerage	Asset management	Securities brokerage	Asset management
Forecast period	**5 years**	**5 years**	5 years	5 years
% of revenue growth rate	**20%**	**12%**	20%	12%
% of expenses growth rate	**15%**	**10%**	18%	10%
Long term growth rate	**5%**	**5%**	3%	3%
Pre-tax discount rate	**18%**	**18%**	20%	20%

No impairment is provided during the year ended 31 December 2021 (2020: HK$Nil).

16. OTHER INTANGIBLE ASSETS

	License HK$'000	Trading right HK$'000	Total HK$'000
Cost			
At 1 January 2020 and 31 December 2020	–	700	700
Addition from a business combination	902	–	902
At 31 December 2021	902	700	1,602
Accumulated amortisation			
At 1 January 2020, 31 December 2020 and 31 December 2021	–	–	–
Carrying amount			
At 31 December 2021	902	700	1,602
At 31 December 2020	–	700	700

Trading right

The trading right represents the eligibility rights to trade on or through the SEHK and have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading right are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading right 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 respective recoverable amounts of the cash generating units relating to securities brokerage business, whereby these trading right are allocated to, using a value in use calculation as shown on Note 15, exceed the carrying amounts. No impairment is therefore considered necessary.

License

The carrying amount of intangible asset represents the regulated activities license issued by China Securities Regulatory Commission ("CSRC"). The license was acquired in a business combination and was recognised at fair value at the acquisition date. It is regarded as having indefinite useful live and is carried at cost less accumulated impairment losses.

17. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2021 and 2020:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
China Vered Financial Investment Management Limited	Hong Kong, limited liability company	HK$260,000,002	100%	–	Investment holding
China Vered Securities Holdings Limited	Hong Kong, limited liability company	HK$1,475,000,001	100%	–	Investment holding
China Vered Wealth Holdings Limited	Hong Kong, limited liability company	HK$1	–	100%	Provision of money lending services
China Vered Securities Limited	Hong Kong, limited liability company	HK$1,500,000,000	–	100%	Provision of securities brokerage services
China Vered Asset Management (Hong Kong) Limited	Hong Kong, limited liability company	HK$573,700,000	–	100%	Provision of securities advisory and asset management services
China Vered Investment Limited	The British Virgin Islands, limited liability company	US$6,410,000	–	100%	Investment holding
CM SPC	Cayman Islands, segregated portfolio company	US$1	–	100%	Investment holding
CVAM Investment Limited	The British Virgin Islands, limited liability company	US$1	–	100%	Investment holding
CVAM Investment Fund SPC	Cayman Islands, segregated portfolio company	US$1	–	100%	Investment holding
CM Strategic Investment Management Holding Limited	Hong Kong, limited liability company	HK$1	–	100%	Investment holding
JBC Holdings Co., Ltd.#	Japan, limited liability company	JPY176,480,000 (2020: JPY90,000,000)	–	51% (2020: 100%)	Investment holding
Tianjin Tong Ming Xin Peng Corporate Management Company Limited^ ("Tianjin Tong Ming Xin Peng") 天津桐鳴鑫鵬企業管理有限責任公司	The PRC, limited liability company	RMB387,690,000*	–	100%	Investment holding
Fuzhou Landun Science of Life Co., Ltd** 福州藍頓生命科技有限公司	The PRC, wholly-foreign owned enterprise with limited liability	– (2020: HK$100,000,000)	–	– (2020: 100%)	Investment holding
Seven Star Shopping Limited**	Hong Kong, limited liability company	– (2020: HK$1)	–	– (2020: 100%)	Investment holding

17. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Seven Star Shopping (China) Co., Ltd.^, ** 七星購物(中國)有限公司	The PRC, wholly-foreign owned enterprise with limited liability	– (2020: RMB360,000,000)	–	– (2020: 100%)	Investment holding
Shanghai Seven Star International Shopping Co., Ltd.** ("Seven Star (Shanghai)") 上海七星國際購物有限公司	The PRC, limited liability company	– (2020: RMB6,000,000)	–	– (2020: 100%)	Investment holding
Shanghai Seven Star Electronic Commerce Co., Ltd.^, ** 上海七星電子商務有限公司	The PRC, limited liability company	– (2020: RMB30,000,000)	–	– (2020: 96%)	Investment holding
Shanghai Seven Star New Energy Investment Co., Ltd.^, ** ("Shanghai Seven Star New Energy") 上海七星新能源投資有限公司	The PRC, limited liability company	– (2020: RMB600,000,000)	–	– (2020: 100%)	Investment holding
Shanghai Seven Star Qiangguan Investment Management Co., Ltd.^, ** ("Shanghai Qiangguan") 上海七星強冠投資管理有限公司	The PRC, limited liability company	– (2020: RMB10,000,000)	–	– (2020: 70%)	Not yet commence real estate business
Shanghai Xiangsheng Insurance Agency Co., Ltd.^, ** ("Xiangsheng Insurance") 上海祥生保險代理有限公司	The PRC, limited liability company	– (2020: RMB20,000,000)	–	– (2020: 96%)	Provision of insurance agency services
Shanghai Hecheng Enterprise Consulting Co., Ltd.** ("Shanghai Hecheng") 上海合暢企業諮詢有限公司	The PRC, wholly-foreign owned enterprise with limited liability	– (2020: RMB50,000,000)	–	– (2020: 100%)	Investment holding

^ The English names are for identification purposes only

JBC Holdings Co., Ltd was acquired and commenced operations in 2020.

* The registered capital of Tianjin Tong Ming Xin Peng is RMB387,690,000 and RMB218,073,125 has been paid up as at 31 December 2021.

** Disposed during the year and information about the disposal is disclosed in note 38 to the financial statements.

The above list contains the particular of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

17. SUBSIDIARIES *(Continued)*

The following table shows information of the subsidiaries that had non-controlling interests ("NCI") material to the Group as at 31 December 2020. The summarised financial information represented amounts before inter-company eliminations. These subsidiaries have been disposed during the current year.

	Seven Star (Shanghai) 2020	Xiangsheng Insurance 2020
Principal place of business/ country of registration	The PRC/PRC	The PRC/PRC
% of ownership interests/ voting rights held by NCI	100%/0%	100%/0%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	47,063	–
Current assets	144,140	22,509
Current liabilities	(441,049)	(7,266)
Non-current liabilities	(6,654)	–
Net (liabilities)/assets	(256,500)	15,243
Accumulated NCI	(81,850)	(5,287)
Year ended 31 December:		
Revenue	–	–
Loss	–	(94)
Total comprehensive income	(15,502)	828
Loss allocated to NCI	–	(94)
Total comprehensive income allocated to NCI	(15,502)	828
Net cash generated from operating activities	–	309
Effect of foreign exchange rate changes	1	(144)
Net increase in cash and cash equivalents	1	165

18. INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2021 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business	Country of incorporation	Percentage of ownership interest	Nature of the relationship	Measurement method
31 December 2021 and 2020					
Grand Flight Holding Company Limited	The PRC	Cayman Islands	30%	Note 1	Equity
Grand Flight Hooyoung Investment L.P.	The PRC	Cayman Islands	30%	Note 2	Equity

Note 1: Grand Flight Holding Company Limited is a company registered in Cayman Islands.

Note 2: Grand Flight Hooyoung Investment L.P. is an investment fund registered in Cayman Islands.

The total cash considerations for the investment was US$25,087,000 (approximately HK$195,067,000) (2020: US$25,087,000 (approximately HK$195,067,000)). There is no quoted market price available for both associates.

Reconciliation to carrying amounts:

	2021 HK$'000	2020 HK$'000
Beginning of the year	**106,365**	138,942
Addition	**2,735**	4,651
Dividend paid	**(3,744)**	–
Share of post-tax loss of associates	**(12,000)**	(37,228)
End of the year	**93,356**	106,365

18. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table shows information of the associates of the Group.

	Grand Flight Holding Company Limited 2021 HK$'000	Grand Flight Holding Company Limited 2020 HK$'000	Grand Flight Hooyoung Investment L.P. 2021 HK$'000	Grand Flight Hooyoung Investment L.P. 2020 HK$'000
At 31 December:				
Current assets	22,365	23,744	298,898	337,903
Current liabilities	8,902	7,096	1,175	–
Net current assets	13,463	16,648	297,723	337,903
Year ended 31 December:				
Revenue	11,295	15,504	–	–
Profit/(loss)	(3,272)	2,713	(38,672)	(124,765)
Total comprehensive income/(loss)	(3,272)	2,713	(38,672)	(124,765)
Opening net assets at 1 January	16,648	13,999	337,903	449,142
Increase in equity interest	–	–	9,118	15,512
Profit/(loss) for the year	(3,272)	2,713	(38,672)	(124,765)
Dividend paid during the year	–	–	(12,471)	–
Currency translation difference	87	(64)	1,845	(1,986)
Closing net assets at 31 December	13,463	16,648	297,723	337,903
Interest in associates (30%)	4,039	4,994	89,317	101,371

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss include the followings:

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through profit or loss		
Unlisted investment funds	**389,825**	392,142
Unlisted equity investments	**1,620,791**	953,768
Convertible bonds and loan	**14,912**	101,591
Listed equity investments	**530,555**	193,384
Listed debt investments	**228,590**	571,638
Unlisted notes	**21,415**	216,611
	2,806,088	2,429,134
Classified as:		
Non-current assets	**1,894,785**	1,283,393
Current assets	**911,303**	1,145,741
	2,806,088	2,429,134

	2021 HK$'000	2020 HK$'000
Financial liabilities at fair value through profit or loss		
Payable to holders of non-controlling interests in unlisted consolidated investment fund	**115,785**	145,037
	115,785	145,037
Classified as:		
Non-current liabilities	**–**	–
Current liabilities	**115,785**	145,037
	115,785	145,037

The investments in unlisted investment funds of HK$389,825,000 (2020: HK$392,142,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$389,825,000 (2020: HK$392,142,000) which represents the fair value as at 31 December 2021.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The size of these unconsolidated structured entities is HK$1,788,530,000 (2020: HK$1,511,016,000).

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

The interest receivables derived from convertible bonds and loan, listed debt investments and unlisted notes have been recognised as other interest receivables in the consolidated statement of financial position.

Investment in Shareholder Value Offshore Fund

As at 31 December 2021, these financial assets included, among others, an investment in an unlisted investment fund namely Shareholder Value Offshore Fund (the "Fund"), which was managed by the Group's asset management subsidiary, namely China Vered Asset Management (Hong Kong) Limited ("CVAM"), whose carrying value amounted to HK$Nil (2020: HK$142,259,000). The original cost of investment in the Fund amounted to HK$139,007,000 (2020: HK$139,007,000) with an accumulated fair value loss of HK$139,007,000 (2020: gain of HK$3,252,000). Pursuant to the Fund's fund documents, its investment objective is to achieve consistent and long-term capital appreciation through a portfolio of equity and debt securities. Where deemed appropriate, its master fund, Shareholder Value Fund (the "Master Fund"), might also invest in other investment funds provided that they constituted no more than 20% of the net asset value of the Master Fund at any time. According to the financial information of the Fund, it was, however, noted that the Fund, through the Master Fund, invested into two segregated portfolios, Subject Fund A and Subject Fund B. Both Subject Fund A and Subject Fund B were managed by a licensed corporation which is authorised to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and is an independent third party of the Company (the "Third Party Manager A"). The investments in Subject Fund A and Subject Fund B were funded by the transfer of assets held by the Master Fund, including the leverage notes linked with the bonds issued by a listed property developer.

In May 2021, CVAM received a redemption request and was aware that the Master Fund's liquidity was insufficient to meet such redemption request due to the lock-up restrictions in Subject Fund A and Subject Fund B. In March 2022, an independent investigation committee was established at the request of the Company's auditor and resolved to appoint an independent consultant (the "Independent Consultant") to conduct an investigation into (a) certain investments made by the Fund and the Master Fund; and (b) the nature, existence and valuation of the underlying assets of such investments. Subsequent to year end, CVAM received a writ of summons (the "Writ of Summons") with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by Orient Finance Holdings (Hong Kong) Limited, as plaintiff (the "Plaintiff"), against CVAM and the Fund, as defendants. Please refer to note 34 for additional disclosures.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Investment in Shareholder Value Offshore Fund *(Continued)*

Reference is made to the announcement of the Company dated 13 September 2022 in relation to the key findings of the independent investigation. The Independent Consultant noted that in August 2019, a former deputy CEO of the Company (the "Former CEO of the Company") delegated his role as the Chairman of Asset Management Committee of CVAM (the "AMC") to a former manager-in-charge of overall management oversight of CVAM (the "Former OMO of CVAM") and that the Former OMO of CVAM was the key personnel responsible for initiating the investments in Subject Fund A and Subject Fund B and negotiating with the external parties. The Independent Consultant noted that the Former OMO of CVAM and the Former Deputy CEO of the Company were closely connected with the Third Party Manager A and the listed property developer. The Independent Consultant was of the view that:

(i) It was noted that the terms of Subject Fund A and Subject Fund B were uncommon with the following uncommon terms: (a) the performance fee charged by Subject Fund A (60%) and Subject Fund B (40%) are significantly high; and (b) the lock-up period for Subject Fund A (three years with one or two consecutive additional lock-up period(s) of three years) and Subject Fund B (seven years with one additional lock-up period of three years) are significantly long.

(ii) It was also considered that the alleged rationale for the investments in Subject Fund A and Subject Fund B were not supported by documentary evidence. None of the alleged rationale could be independently verified as a sufficient ground for the investments in Subject Fund A and Subject Fund B.

(iii) The value and existence of the underlying assets of Subject Fund A and Subject Fund B could not be assessed. The Group was unable to obtain the details of Subject Fund A and Subject Fund B from the Third Party Manager A. As such, the Independent Consultant could not independently confirm the value and existence of the underlying assets of Subject Fund A and Subject Fund B.

(iv) The high concentration of investments in Subject Fund A and Subject Fund B did not appear to be consistent with the investment objective of the Fund and the Master Fund.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Investment in Shareholder Value Offshore Fund *(Continued)*

As at 31 December 2021, based on the statement of net asset value provided by the Fund, the value of the investment in the Fund by the Group amounted to approximately HK$136.6 million, representing an accumulated fair value loss of approximately HK$2.4 million. Taking into account the inability to assess the value and existence of the underlying assets of Subject Fund A and Subject Fund B, insufficient information about the details of investment made by Subject Fund A and Subject Fund B, high concentration of investments in Subject Fund A and Subject Fund B to the Fund, uncommon terms of Subject Fund A and Subject Fund B, and inability to independently verify rationale of investments in Subject Fund A and Subject Fund B which would result in significant impact to the net asset value of the Fund, and other factors involved in the investment in the Fund, the management of the Group considered that the recoverability of investments in Subject Fund A and Subject Fund B was highly uncertain and accordingly assessed the carrying value of the investment in the Fund as fully written down with a fair value loss of approximately HK$142,259,000 recognised in profit or loss during the year. Subsequent to 31 December 2021, the Group has taken or will take the following actions in respect of the investment in Fund:

(a) request for redemption of the Fund;

(b) report the matter to the relevant authorities including the Hong Kong Police;

(c) seek legal advice to determine and formulate the actions to be taken against the relevant former employees of the Company/CVAM; and

(d) seek legal advice and consider whether to take actions against the relevant parties in relation to Subject Fund A and Subject Fund B;

Investment in Fund C

As at 31 December 2021, the financial assets also included an investment in an unlisted investment fund, Fund C, which was managed by a licensed asset manager (an independent third party to the Group) (the "Third Party Manager B"), whose carrying value amounted to approximately HK$167,796,000 (2020: HK$149,099,000). The original cost of investment in Fund C amounted to approximately HK$147,272,000 (2020: HK$147,272,000) with an accumulated fair value gain of approximately HK$20,524,000 (2020: gain of HK$1,827,000). Based on the fund documents of Fund C, its investment objective is to invest in a wide range of investments. According to the financial information of Fund C, it was, however, noted that the main underlying assets included an investment in unlisted bond made by the Third Party Manager B. Subsequent to 31 December 2021, the Group has requested for redemption of Fund C and completed redemption with an overall realised gain of approximately HK$11,641,000 on the investment in Fund C.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income include the followings:

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through other comprehensive income		
Unlisted investment funds	**322,966**	686,831
Listed debt investments	**588,644**	1,249,190
Listed equity investments	**62,545**	–
	974,155	1,936,021
Classified as:		
Non-current assets	**417,566**	1,686,335
Current assets	**556,589**	249,686
	974,155	1,936,021

The investments in unlisted investment funds of HK$322,966,000 (2020: HK$686,831,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$322,966,000 (2020: HK$686,831,000) which represents the fair value as at 31 December 2021.

The size of these unconsolidated structured entities is HK$391,452,000 (2020: HK$906,906,000).

During the year, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

The interest receivables derived from listed debt investments have been recognised as other interest receivables in the consolidated statement of financial position.

ECL allowance as at 31 December 2021 amounted to HK$382,011,000 (2020: HK$36,167,000) with an increase in ECL allowance of HK$345,844,000 (2020: HK$36,167,000) recognised in the consolidated statement of profit or loss during the year.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Investment in Fund D

As at 31 December 2021, the financial assets included an investment in unlisted investment fund, Fund D, which was managed by a licensed asset manager (an independent third party to the Group) (the "Third Party Manager C"), whose carrying value amounted to approximately HK$5,618,000 (2020: HK$64,602,000). According to the financial information of Fund D, it was noted that the underlying assets included a substantial portion of investments in two loans made by the Third Party Manager C and the aggregate outstanding balance of loans and interest receivables amounted to approximately HK$57,648,000. It was noted that one of the loans was granted to a company owned by a director of the Third Party Manager C ("Loan A") at interest rate of 3% per annum and the other loan was granted to a company owned by a former director of Fund D ("Loan B") at interest rate of 6% per annum. It was further noted that the maturity of these loans and interest receivables was further extended from December 2021 to December 2023 by the Third Party Manager C. The Group has requested the Third Party Manager C to provide the financial information of the two borrowers of Loan A and Loan B but the request was declined. Taking into account the nature, duration, credit risk and other credit quality factors involved in the two loans, the management of the Group considered that the recoverability of the two loans made by Fund D was highly uncertain and accordingly assessed the carrying value of the loans and interest receivables recorded in Fund D as fully written down. As such, the net asset value of Fund D was adjusted for full write-down on the abovementioned loans and interest receivables with a fair value loss of approximately HK$58,984,000 recognised in other comprehensive loss during the year. The Group is now taking active measures including discussion with the Third Party Manager C for redemption of investment, recovery of any investment loss, and/or seeking legal advice.

Investment in Fund E

As at 31 December 2021, the financial assets also included an investment in unlisted investment fund, Fund E, which was managed by a licensed asset manager (an independent third party to the Group) (the "Third Party Manager D"), whose carrying value amounted to approximately HK$317,348,000 (2020: HK$465,503,000). The original cost of investment in Fund E amounted to approximately HK$564,149,000 (2020: HK$434,150,000) with an accumulated fair value loss of approximately HK$246,801,000 (2020: gain of HK$31,353,000). According to the financial information of Fund E, it was noted that the underlying assets invested by Third Party Manager D included a substantial part of investments in listed equity securities under banking and finance sector and remaining part of investment in a loan receivable. The Group is now taking active measures including discussion with Third Party Manger D for redemption of investment and/or recovery of any investment loss.

21. FINANCIAL ASSETS AT AMORTISED COST

	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost		
Not past due or less than 1 month past due	**178,274**	444,670
1–3 months past due	**–**	–
3–6 months past due	**–**	–
6–12 months past due	**–**	–
Over 12 months past due	**–**	–
	178,274	444,670
Less: ECL allowances on financial assets at amortised cost	**(99,364)**	(805)
	78,910	443,865
Classified as:		
Non-current assets	**33,765**	172,078
Current assets	**45,145**	271,787
	78,910	443,865

At 31 December 2021, financial assets at amortised cost include unlisted bond investments and note receivables with effective interest rates ranging from 7.6% to 10.0% (31 December 2020: 6.1% to 10.0%) per annum.

During the year, an increase in ECL allowances of HK$98,559,000 were recognised (2020: provision for ECL allowances of HK$227,000) in the consolidated statement of profit or loss.

22. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Margin receivables	**106,490**	116,133
Less: ECL allowances	**(63,570)**	(63,601)
	42,920	52,532
Trade receivables arising from the businesses of asset management	**26,629**	9,664
Trade receivables arising from the businesses of underwriting	**2,815**	155
	72,364	62,351

Loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK$270,587,000 (2020: HK$292,414,000) which can be sold at the discretion of a subsidiary of the Group to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

ECL allowances as at 31 December 2021 amounted to HK$63,570,000 (2020: HK$63,601,000 with a decrease in ECL allowances of HK$31,000 (2020: provision of HK$8,945,000) recognised in the consolidated statement of profit or loss during the year.

Except for those margin receivables in stage 3 of ECL assessment, the Group considered that the business nature of margin receivable is short-term and the directors are of the opinion that no further aging analysis is disclosed.

Aging analysis of other trade receivables from the trade date is as follows:

	2021 HK$'000	2020 HK$'000
0–90 days	**10,032**	7,137
91 days to 1 year	**19,412**	2,682
	29,444	9,819

The carrying amount of the margin receivables approximate to their fair value.

The carrying amounts of other trade receivable approximate to their fair value due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the other trade receivables. The Group did not hold any collateral as security as at 31 December 2021 (2020: Nil).

Trade receivable arising from the business of asset management are mainly due at the end of the relevant valuation period of the investment funds and managed accounts. However, some of these trade receivables are only due after the relevant valuation period as a result of credit periods granted to certain investment funds and managed accounts which are generally within three months.

Trade receivable arising from the business of asset management are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate. There was no impairment provision on other trade receivable arising from the business of asset management as at 31 December 2021 (2020: Nil).

23. LOAN AND INTEREST RECEIVABLES

As at 31 December 2021, these loan receivables bear interest at fixed rates of 8.9% per annum (31 December 2020: 8.9% to 16.0%). Interest income derived from loan receivables was recognised and presented under "Interest income" in the consolidated statement of profit or loss. The carrying value of the loan receivables approximate to their fair values.

Regular credit reviews on these loans receivables are conducted by the Risk Management Department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial positions.

As these loan receivables will be settled within 12 months, the carrying amount approximate to their fair value.

Expected credit losses allowance as at 31 December 2021 amounted to HK$301,206,000 (2020: HK$264,381,000) with an increase of ECL allowance of HK$36,632,000 (2020: decrease in ECL allowance of HK$25,236,000) was recognised in the consolidated statement of profit or loss during the year.

The following is an ageing analysis of loan and interest receivables based on the contract note at the reporting date:

	2021 **HK$'000**	2020 HK$'000
Not past due or less than 1 month past due	**173,355**	180,000
1–3 months past due	**–**	–
3–6 months past due	**–**	–
6–12 months past due	**–**	–
Over 12 months past due	**252,439**	264,182
	425,794	444,182
Less: ECL allowances	**(301,206)**	(264,381)
	124,588	179,801

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 **HK$'000**	2020 HK$'000
Other receivables	**57,553**	10,368
Prepayments	**5,250**	4,130
Other deposits	**71,805**	3,239
	134,608	17,737

25. PLEDGED BANK DEPOSITS, DEPOSITS WITH BROKERS AND CASH AND CASH EQUIVALENTS

At 31 December 2021, the Group's did not have any pledged bank deposits (2020: HK$328,000 pledged to a bank as security for a corporate card granted to a director of the Group with a credit limit of approximately HK$224,000).

At 31 December 2021, the cash and cash equivalents of the Group denominated in RMB or HKD and kept in the PRC amounted to approximately HK$123,607,000 (2020: HK$214,405,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The Group maintains segregated accounts with authorised institutions to hold clients' monies in the normal course of business. At 31 December 2021, client money maintained in segregated accounts not otherwise dealt with in the consolidated financial statements amounted to approximately HK$181,996,000 (2020: HK$198,529,000).

At 31 December 2021, deposits with brokers were mainly placed in the licensed stockbrokers in Hong Kong and the PRC amounted to approximately HK$181,175,000 (2020: HK$170,970,000).

The carrying amount of pledged bank deposits, deposits with brokers and cash and cash equivalents approximate to their fair value.

26. LOAN AND INTEREST PAYABLES

		2021 **HK$'000**	2020 HK$'000
Repurchase agreements	(a)	**74,874**	74,437
Leverage note	(b)	**85,016**	99,416
Other loan payables	(c)	**–**	142,579
Interest payables		**3,299**	1,525
		163,189	317,957

At 31 December 2021, the loans bear interest at fixed rate ranging from 2.6% to 4.0% per annum (2020: fixed rate ranging from 3.6% to 4.58% per annum).

26. LOAN AND INTEREST PAYABLES *(Continued)*

At 31 December, the Group's borrowings were repayable as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	**163,189**	243,520
Between 1 year to 2 years	**–**	74,437
Between 2 years to 5 years	**–**	–
Over 5 years	**–**	–
	163,189	317,957

The fair value of borrowings equal their carrying amount, as the impact of discounting is not significant.

(a) As at 31 December 2021, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at amortised cost with carrying amount of approximately HK$45,145,000 (2020: HK$135,064,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price. The repurchase prices are pre-determined and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. These bonds are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these bonds.

(b) On 20 July 2020, the Group entered into an agreement to borrow an amount of HK$99,384,000 and to subscribe a leveraged bond-linked notes amounted to HK$149,076,000. As part of the agreement, the Group has sold bonds classified at fair value through other comprehensive income with carrying amount of HK$241,572,000 and committed to purchase it back at a later date ("settlement date"). Until the settlement date, the Group will continue to expose to the risks and rewards of these bonds, and hence, it was not derecognised from the financial statements but regarded as "collateral" for the liabilities.

    As at 31 December 2021, the carrying amount of the borrowing was approximately HK$85,016,000 (2020: HK$99,416,000) and the carrying value of the pledged bonds classified at fair value through other comprehensive income were approximately HK$72,573,000 (2020: HK$243,876,000) and a cash collateral of approximately HK$104,738,000 (2020: HK$Nil), arising from the maturity of certain bonds during the year.

(c) As at 31 December 2021, there was no outstanding other loan payable. As at 31 December 2020, the Group entered into an agreement to borrow an amount of approximately HK$142,579,000 from a third party in relation to a loan facility agreement granted to an affiliate of that third party and the loan was repaid during the year.

27. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Finance costs on leverage notes	**3,600**	5,219
Finance costs on other loan payables	**1,533**	–
Finance costs on repurchase agreements	**3,027**	3,752
Finance costs on margin payables	**3,251**	3,920
Finance costs on lease liabilities	**693**	1,085
Loan arrangement fee	**50**	106
	12,154	14,082

28. ACCRUALS AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Deposits received	**55,578**	665
Receipts in advance	**1,137**	6,200
Other tax payables	**312**	3,363
Accruals and other payables	**13,792**	126,533
	70,819	136,761

29. MARGIN PAYABLES

	2021 HK$'000	2020 HK$'000
Margin payables	**9,164**	205,958
	9,164	205,958
Classified as:		
Non-current liabilities	**–**	–
Current liabilities	**9,164**	205,958
	9,164	205,958

29. MARGIN PAYABLES *(Continued)*

As at 31 December 2021, margin payables bear interest at fixed rates ranging from 3.63% to 3.64% per annum (2020: fixed interest rate ranging from 2.99% to 8.80% per annum).

As at 31 December 2021, the carrying amount of the pledged bonds classified at fair value through other comprehensive income were approximately HK$0 (2020: HK$503,981,000) and the carrying amount of the pledged bonds and stocks classified at fair value through profit or loss were approximately HK$131,639,000 (2020: HK$510,373,000).

The Group's margin payables were repayable on demand and the directors are of the opinion that no further aging analysis is disclosed.

30. SHARE CAPITAL

	2021 Number of shares '000	**2021** Amount HK$'000	2020 Number of shares '000	2020 Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	**34,714,459**	**6,154,374**	34,714,459	6,154,374
Capital reduction	**–**	**(1,700,000)**	–	–
At 31 December	**34,714,459**	**4,454,374**	34,714,459	6,154,374

Pursuant to a resolution passed in the annual general meeting held on 25 June 2021, regarding the reduction of the issued share capital of the Company by HK$1,700,000,000 (the "Capital Reduction"), the credit arising from such reduction has been applied to set off against the accumulated losses of approximately HK$1,559,150,000 with the remaining credit balance of approximately HK$140,850,000 to be transferred to the capital reduction reserve account of the Company, as at the effective date (i.e. 12 August 2021).

31. OTHER RESERVES

(i) The capital reduction reserve account of the Group enhancing the Group's ability and flexibility in potential dividend distribution in future. The capital reduction reserve account is available to set off against any losses of the Group and/or to make distribution to its shareholders in the future when appropriate.

(ii) **Share-based payments reserve**

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 2.22 to the consolidated financial statements.

31. OTHER RESERVES *(Continued)*

(iii) Special capital reserve

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR. Pursuant to the High Court Order dated 20 November 2002, as long as the Company shall remain a listed company, the balances shall be treated as an undistributable reserve of the Company provided that (1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied; and (2) the amount standing to the credit of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as a result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.5 to the consolidated financial statements.

(v) Statutory surplus reserve

In accordance with the PRC Company Law and the respective company's articles of association, a subsidiary of the Group established in the PRC, being a wholly foreign owned enterprise, is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. With the approval from the relevant authorities, the statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. The reserve fund cannot be distributed in the form of cash.

(vi) Investment revaluation reserve

The investment revaluation reserve comprises all fair value gain/loss arising from the revaluation of the financial asset at fair value through other comprehensive income.

(vii) Shares held for share award plan

As at 31 December 2021, the Company had 1,735,410,000 (2020: 1,729,910,000) shares held for share award plan.

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2021 HK$'000	2020 HK$'000
Assets		
Non-current assets		
Property, plant and equipment	6,826	15,601
Right-of-use asset	2,455	10,872
Interests in subsidiaries	1,735,010	1,736,239
Rental and other deposits	3,110	3,110
Financial assets at fair value through profit or loss	256,254	297,322
Deferred tax assets	25,806	50,852
Total non-current assets	2,029,461	2,113,996
Current assets		
Other receivables, prepayments and deposits	6,340	3,215
Deposits with brokers	25	24
Amounts due from subsidiaries	2,691,303	2,955,485
Cash and bank balances	229,103	131,076
Total current assets	2,926,771	3,089,800
Total assets	4,956,232	5,203,796
Equity		
Equity attributable to owners of the Company		
Share capital	4,454,374	6,154,374
Other reserves	688,785	555,507
Accumulated losses	(201,130)	(1,612,000)
Total equity	4,942,029	5,097,881
Liabilities		
Non-current liability		
Lease liabilities	–	2,789
Total non-current liability	–	2,789
Current liabilities		
Accruals and other payables	11,414	94,638
Lease liabilities	2,789	8,488
Total current liabilities	14,203	103,126
Total liabilities	14,203	105,915
Total equity and liabilities	4,956,232	5,203,796

Approved by the Board of Directors on 19 September 2022 and are signed on its behalf by:

Tomohiko Watanabe
Director

Li Wei
Director

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Capital reduction reserve HK$'000	Share-based payments reserve HK$'000	Shares held for share award plan reserve HK$'000	Special capital reserve HK$'000	Total HK$'000
At 1 January 2020	–	7,108	–	726,699	733,807
Acquisition of shares for share award plan	–	–	(178,300)	–	(178,300)
At 31 December 2020 and 1 January 2021	**–**	**7,108**	**(178,300)**	**726,699**	**555,507**
Capital reduction	**140,850**	**–**	**–**	**–**	**140,850**
Acquisition of shares for share award plan	**–**	**–**	**(464)**	**–**	**(464)**
Lapse of share-based payments	**–**	**(7,108)**	**–**	**–**	**(7,108)**
At 31 December 2021	**140,850**	**–**	**(178,764)**	**726,699**	**688,785**

(c) Movement of Accumulated losses

	Accumulated losses HK$'000
At 1 January 2020	(1,641,654)
Profit for the year	29,654
31 December 2020 and 1 January 2021	(1,612,000)
Capital reduction	1,559,150
Lapse of share-based payments	7,108
Loss for the year	(155,388)
At 31 December 2021	**(201,130)**

33. SHARE-BASED COMPENSATION

Equity-settled share option scheme

On 9 December 2013, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme") and the adoption of a new share option scheme (the "2013 Share Option Scheme"). The 2013 Share Option Scheme will expire on 8 December 2023.

2013 Share Option Scheme

Under the 2013 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the board of directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

At 31 December 2021 and 31 December 2020, the Company had no option granted under the 2013 Share Option Scheme.

2004 Share Option Scheme

The 2004 Share Option Scheme was terminated on 9 December 2013 such that no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

At 31 December 2021 and 31 December 2020, no options to subscribe for shares were granted under the 2004 Share Option Scheme.

Share award

The Group has entered share award scheme to incentivise selected employees or directors for their contributions to the Group and to attract suitable personnel for further development of the Group. Pursuant to the agreement, the ordinary shares of the Company will be acquired by the Company at the cost of the Company and will be granted to the selected participants after vesting. The total number of shares granted under the agreement will be vested for three years.

On 19 December 2018, the Group adopted another share award plan. The purpose of the Plan are to recognise and reward the contribution of selected employees or directors, to give incentives in order to retain them for the continual operation and development of the Group. The share award plan shall be valid and effective for a period of 10 years commencing from 19 December 2018 but may be terminated earlier as determined by the Board.

During the year ended 31 December 2021, the Company acquired its shares from open market through a trustee for the share award plan with a consideration of approximately HK$464,000 (2020: HK$178,300,000).

At 31 December 2021 and 31 December 2020, the Company had no awarded shares granted under share award scheme and share award plan.

34. CONTINGENT LIABILITIES

As disclosed in note 19, subsequent to year end, CVAM received the Writ of Summons with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by the Plaintiff against CVAM and the Fund, as defendants.

As stated in the indorsement of claim attached to the Writ of Summons, the Plaintiff claims against the defendants, among others, for: (1) a sum of US$17,090,460.61, being the original investment amount of US$25,000,000.00 made by the Plaintiff in the Fund where CVAM serves as the investment manager, less US$7,909,539.39, being the redemption proceeds paid to the Plaintiff; (2) interest for investment in the Fund; (3) loss and/or damages; (4) such further or other reliefs as the court shall deem fit; and (5) costs (collectively the "Claim").

The Group has sought legal advice in respect of the litigation. At the end of the reporting period and up to the date of approval of these consolidated financial statements, based on the information available and the advice from external legal advisors, the Group's management assessed that whether any present obligation exists is still subject to high uncertainty. Accordingly, the Group has not made any provisions for any claim arising from the litigation, other than the related legal and other costs.

CVAM as a licensed corporation is registered with the SFC. It may be required to assist in and/or are subject to inquiries by relevant regulatory authorities in Hong Kong, including the SFC, if and when necessary. CVAM has been involved in ongoing communication with regulatory authorities in connection with the matters being investigated by the Group as disclosed in note 19 and there is no regulatory action from any regulatory authorities up to the date of this report. The Group did not make any provision for the aforementioned contingency.

Save as disclosed above, as at 31 December 2021, the Group and the Company did not have any significant contingent liabilities (2020: HK$Nil).

35. COMMITMENTS

Capital commitments

The Group has entered into contracts to commit investing into certain unlisted investment funds and limited partnership. The aggregate non-cancellable capital commitments as at 31 December 2021 amounted to approximately HK$442,935,000 (2020: HK$15,979,000).

36. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2021 HK$'000	2020 HK$'000
Commission income (Note i)	**39**	67
Interest income (Note ii)	**–**	4,514
Fee income received from asset management, net (Note iii)	**30,169**	2,800
Underwriting fee income (Note iv)	**2,800**	250
Gain on disposal of a subsidiary (Note 38(ii))	**2,000**	–

Note i: During the year ended 31 December 2021, the Group received commission fees income of HK$39,000 from certain employees of the Group and Vered Investment Co., Ltd, a substantial shareholder of the Company (2020: HK$67,000). Commission fee income is determined with reference to the market rate offered to other third party clients.

Note ii: During the year ended 31 December 2020, the Group lent an unsecured loan to a borrower, which was a subsidiary of China Minsheng Investment Group Corporation Ltd ("CMIG"), a shareholder of the Company, and received interest income at a rate of 11.5% per annum. The loan had been settled during 2020.

Note iii: During the year ended 31 December 2021, the Group provided fund management service to a related party fund namely Shareholder Value Offshore Fund in which a subsidiary of CMIG had substantial interest, and recognised a net income of fund management fee and performance fee of HK$30,169,000 (2020: HK$2,800,000). The fund management fee and performance fee are determined with reference to the market rate offered to other third party investor of the fund. As at 31 December 2021, the fee receivable amounted to approximately HK$3,400,000 (2020: HK$2,900,000).

Note iv: During the year ended 31 December 2021, Vered Investment Co., Ltd, issued a corporate bond and a subsidiary of the Company acted as one of the arranger in the offerings. The relevant underwriting commission income recognised during the year amounted to HK$2,800,000 (2020: HK$250,000) in accordance with the terms of relevant subscription agreements. As at 31 December 2021, the fee receivable amounted to HK$2,800,000 (2020: HK$ Nil).

(b) The remuneration for directors and other members of key management of the Group during the year is disclosed in note 11 to the consolidated financial statements.

37. CASH FLOW INFORMATION

	Liabilities from financing activities		
	Loan and interest payables HK$'000	Margin payables HK$'000	Lease liabilities HK$'000
As at 1 January 2020	312,933	31,325	25,050
Changes from financing cash flows:			
Repayment of loan payables	(311,529)	–	–
Proceeds from loan payables	316,606	–	–
Proceeds from margin payables	–	174,715	–
Principal elements of lease rentals paid	–	–	(12,626)
Other changes:			
Interest expenses	8,971	3,920	1,085
Interest paid	(8,551)	(3,920)	(1,085)
Acquisition — leases	–	–	6,230
Foreign exchange adjustments	(473)	(82)	–
As at 31 December 2020	317,957	205,958	18,654
As at 1 January 2021	**317,957**	**205,958**	**18,654**
Changes from financing cash flows:			
Repayment of loan payables	**(157,512)**	**–**	**–**
Repayment of margin payables	**–**	**(188,167)**	**–**
Principal elements of lease rentals paid	**–**	**–**	**(11,122)**
Other changes:			
Interest expenses	**8,160**	**3,251**	**693**
Interest paid	**(4,557)**	**(3,251)**	**(693)**
Acquisition — leases	**–**	**–**	**2,235**
Disposal of subsidiaries (Note 38(i))	**–**	**(8,627)**	**(6,978)**
Foreign exchange adjustments	**(859)**	**–**	**–**
As at 31 December 2021	**163,189**	**9,164**	**2,789**

38. DISPOSAL OF SUBSIDIARIES

(i) In October 2021, the Company entered into sale and purchase agreements with an independent third party, whereby the Company disposed of its entire 100% equity interest in a group of its subsidiaries for a cash consideration of HK$10.

	2021 HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	2,132
Right-of-use assets	6,824
Financial assets at fair value through profit or loss	12,645
Trade receivables and other current assets	8,960
Loan receivables	3,901
Pledged bank deposits	337
Cash and cash equivalents	4,238
Trade payables and other current liabilities	(32,184)
Lease liabilities	(6,978)
Current tax liabilities	(116)
Margin loan payables	(8,627)
Net liabilities disposed	(8,868)
Non-controlling interest	58,392
Exchange reserve	(43,435)
Net balances disposed and released	6,089
Satisfied by:	
Cash consideration	–
Loss on disposal	(6,089)

	2021 HK$'000
Net cash inflow/(outflow) on disposal of subsidiaries:	
Cash and cash equivalents received as consideration	–
Less: Cash and cash equivalents disposed	(4,238)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(4,238)

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) In July 2020, the Group entered into a sale and purchase agreement with Vered Holdings (Hong Kong) Limited (the "Purchaser") to dispose 100% equity interest in Vered Asset Management Limited (formerly known as CM Securities Asset Management Limited) to the Purchaser at a total consideration of approximately HK$2.5 million (the "Disposal"). The Purchaser is a related company of the Group, which indirectly holds approximately 28.95% of the issued share capital of the Company. Completion of the Disposal took place in April 2021 and resulted in a gain on disposal of HK$2.0 million for the year ended 31 December 2021. The net cash inflow from the Disposal was approximately HK$2,370,000.

(iii) On 15 March 2021, JBC Holdings Co., Ltd ("JBC"), a wholly-owned subsidiary of the Company at the material time, and Vered Holdings Co., Ltd ("Vered Japan") entered into a subscription agreement, pursuant to which Vered Japan agreed to subscribe for 8,648 ordinary shares of JBC (representing approximately 49.003% of the enlarged equity interest in JBC) at the consideration of JPY86.48 million (the "Subscription"). Completion of the Subscription took place on the same day. Upon the completion of the Subscription, the percentage of equity interests in JBC held by the Company via China Vered Asset Management (Hong Kong) Limited ("CVAM") (a wholly owned subsidiary of the Company) was reduced from 100% to approximately 50.997%.

The change in ownership interests of a subsidiary without change of control resulted in a gain in retained earnings of HK$0.2 million for the year ended 31 December 2021. The net cash inflow from the transaction is approximately HK$6.3 million.

The effect on the Group's result from the subsidiaries disposed during the year is not material for the years ended 31 December 2021 and 31 December 2020.

39. EVENTS AFTER THE REPORTING PERIOD

On 7 June 2022, CVAM, an indirect wholly-owned subsidiary of the Company, received the Writ of Summons with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by Orient Finance Holdings (Hong Kong) Limited, as the plaintiff, against CVAM, as defendant. Details of the receipt of Writ of Summons are set out in the Company's announcement dated 10 June 2022. Subsequently, on 5 August 2022, Shareholder Value Offshore Fund was also included as a defendant. The Company is currently seeking legal advice regarding the above proceedings. Please refer to note 34 for disclosures on details of the legal case.

On 13 September 2022, the Independent Consultant has completed the investigation and issued a report. Please refer to note 19 for additional disclosures under section headed "Investment in Shareholder Value Offshore Fund". Details of the key findings of the investigation are set out in the Company's announcement on 13 September 2022.

40. RECLASSIFICATION

Certain comparative figures have been reclassified to conform with the current year presentation.

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Results					
Turnover	**302,540**	318,327	188,177	335,283	452,175
Profit/(loss) attributable to:					
— Owners of the Company	**71,189**	323,452	(568,815)	143,233	192,033
— Non-controlling interests	**(1,009)**	(1,161)	(1,779)	(1,628)	(1,335)
Assets and liabilities					
Total assets	**5,467,773**	6,187,043	5,736,975	6,027,091	6,158,503
Total liabilities	**(527,098)**	(898,421)	(539,355)	(670,259)	(883,368)
Total equity	**4,940,675**	5,288,622	5,197,620	5,356,832	5,275,135