



## DOYEN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code: 668

2022  
ANNUAL REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive directors

Mr. Lo Siu Yu, *Chairman*  
Mr. Tai Xing, *Chief Executive Officer*  
Mr. Cho Chun Wai

### Non-executive directors

Ms. Sun Lin (appointed on 4 July 2022)  
Ms. Luo Shaoying, *Vice Chairman*  
(resigned on 4 July 2022)  
Mr. Pan Chuan

### Independent non-executive directors

Mr. Chan Ying Kay  
Mr. Leung Kin Hong  
Mr. Wang Jin Ling

## AUDIT COMMITTEE

Mr. Chan Ying Kay, *Committee Chairman*  
Mr. Leung Kin Hong  
Mr. Wang Jin Ling

## REMUNERATION COMMITTEE

Mr. Leung Kin Hong, *Committee Chairman*  
Mr. Chan Ying Kay  
Mr. Wang Jin Ling

## NOMINATION COMMITTEE

Mr. Lo Siu Yu, *Committee Chairman*  
Mr. Chan Ying Kay  
Mr. Leung Kin Hong

## COMPANY SECRETARY

Mr. Cho Chun Wai

## AUTHORISED REPRESENTATIVES

Mr. Lo Siu Yu  
Mr. Cho Chun Wai

## REGISTERED OFFICE

Suite 2206, 22/F, Harbour Centre  
25 Harbour Road, Wanchai, Hong Kong  
Tel: (852) 2596 0668  
Fax: (852) 2511 0318  
E-mail: [enquiry@doyenintl.com](mailto:enquiry@doyenintl.com)

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
46/F, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-16, 17/F, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of Communications Co., Ltd.  
Hong Kong Branch  
China Everbright Bank Hong Kong Branch

## SOLICITORS

Mason Ching & Associates  
Chiu & Partners Solicitors

## AUDITOR

Baker Tilly Hong Kong Limited

## STOCK CODE

668

## WEBSITE

<http://www.doyenintl.com>

# CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**), I hereby present the annual report of Doyen International Holdings Limited (the **"Company"**) and its subsidiaries (together, the **"Group"**) for the year ended 31 December 2022.

## MARKET AND BUSINESS REVIEW

In 2022, the COVID-19 pandemic reverberated in the People's Republic of China (the **"PRC"**) caused by the divergent variants of COVID-19 and had tremendous adverse impact on the economy and social development. Despite the disruption and impact of the pandemic, China's economy started to recover as the PRC government gradually optimized and relaxed its pandemic prevention and control measures.

Despite the PRC faced complex and volatile domestic and international environment as well as uncertainties brought by the pandemic in 2022, the Group followed its prudent business principle, insisted on seeking progress in a stable manner, leveraged the resources accumulated over the years and platform advantages of the Group, carried out adjustment of business structure in an orderly manner, effectively prevented the adverse impact of the pandemic on the business of the Group, and achieved a stable progress in business operation.

For the loan financing business, the growth rate of companies engaged in the finance lease industry in the PRC slowed down significantly in 2022. According to the PRC's Lease Industry Development Report for the First Half of 2022, as at the end of June 2022, the balance of finance leasing contracts nationwide was approximately Renminbi (**"RMB"**) 6,033.0 billion, representing a slight decrease of approximately RMB177.0 billion or 2.85% from RMB6,210.0 billion at the end of 2021. The finance lease market in 2022 fell short of our expectations, with the term of financing lease projects is generally 3 to 5 years, and in view of the economic uncertainty, the Group's subsidiary 東葵融資租賃(上海)有限公司 (for identification purpose, Dongkui Financial Leasing (Shanghai) Co., Ltd. (**"Shanghai Dongkui"**)), devoted more resources to factoring business with lower risks this year.

For the factoring business, on 29 March 2022, the Shanghai Municipal Financial Regulatory Bureau issued the "Several Opinions on the Further Support for the Prevention and Control of the COVID-19 Pandemic and Economic and Social Development by Financial Organizations in Shanghai", which made clear that in principle, overdue payments and payments in lieu of reimbursement due to the pandemic, as well as reduced profits due to reasonable fee reductions and concessions will not affect the grading in the regulatory ratings of financial organizations. On 15 September 2022, the People's Government of Minhang District of Shanghai issued a circular entitled "Implementation Opinions on Supporting the Development of Modern Financial Industry and Promoting the Integration of Production and Finance in Minhang District", such policy explicitly encouraged the healthy development of local financial organizations. Coupled with the PRC's gradual relaxation on COVID-19 pandemic, the economy is expected to revitalize in 2023 and economic and business activities will resume to the pre-pandemic level. During the year, 東銳商業保理(上海)有限公司 (for identification purpose, Dongrui Factoring (Shanghai) Ltd. (**"Shanghai Dongrui"**)), a wholly owned subsidiary of Shanghai Dongkui dedicated to the development of factoring business, made full use of the customer credit data and payment clearing data accumulated in its own business system to enhance its risk prevention and control capabilities, and maintain stable development of its factoring business.

# CHAIRMAN'S STATEMENT

For the property investment business, in 2022, consumers' desire to spend in the PRC decreased under the continuous and reverberating impacts of the COVID-19 pandemic, which had adversely affected the business of traditional shopping malls. At the same time, the prospering of e-commerce also restrained the operation of traditional shopping malls. In an effort to boost the confidence of consumers, stabilize economic growth, and stimulate consumption, the Chongqing municipal government implemented multiple measures such as issuance of subsidies, consumption vouchers and consumption promotion activities so as to promote and revive consumption. Dong Dong Mall ("**Dong Dong Mall**"), held by 重慶寶旭商業管理有限公司 (for identification purpose, Chongqing Baoxu Commercial Property Management Ltd. ("**Chongqing Baoxu**")) continued to develop its business, by launching an upgrade project to increase the competitiveness of the mall and providing rent concessions to merchants to help them overcome difficulties in 2022. With the full relaxation of pandemic prevention and control measures in the PRC and the positive result of consumption stimulating policies starts to emerge, the operation of Dong Dong Mall is expected to increase steadily in 2023.

In addition, for the sales of flowers and plants business, sales performance declined in 2022 due to the downturn of the real estate sector in the PRC and the adverse impact of the COVID-19 pandemic, which led to the decrease in the demand of the landscape greening and floral market. It is expected that the real estate industry in Chongqing, the PRC will come out from the downward cycle in 2023, creating more room for development of the sales of flowers and plants business.

Looking ahead to 2023, with the full relaxation of pandemic prevention and control measures and the further implementation of the growth stabilization policy, the economy in the PRC will resume to stable growth in 2023. The Group will follow the guidance of the national industrial policy, prudently grasp investment opportunities in the market, adjust the business layout in a timely manner, adapt to the changing environment and make precise efforts in seeking more stable development.

## **APPRECIATION**

On behalf of the Board and all staff, I would like to thank our shareholders, customers and business partners for their continued understanding and support of the Group. In 2023, the Group will put stability in priority and consolidate its existing businesses while continuing to expand its sales channels to create greater value for our shareholders, business partners, staff, and stakeholders.

**Lo Siu Yu**

*Chairman*

Hong Kong, 22 March 2023

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

## BUSINESS REVIEW

The Company is principally engaged in investment holding. Its subsidiaries are principally engaged in holding property investment and rental business, and sales of flowers, seedlings and plants in the PRC, provision of loan financing to customers in the PRC and distressed assets management.

Shanghai Dongkui, a 77.58% owned subsidiary of the Company, is mainly engaged in provision of loan financing. The registered capital of Shanghai Dongkui amounted to US\$51.3 million (equivalent to approximately HK\$400.1 million).

The loan financing segment of the Group (the “**Loan Financing Segment**”) is categorized into the loan financing business (“**Loan Financing Business**”), short-term loan business (“**Short-term Loan Business**”) and factoring and refactoring business (“**Factoring/Refactoring Business**”).

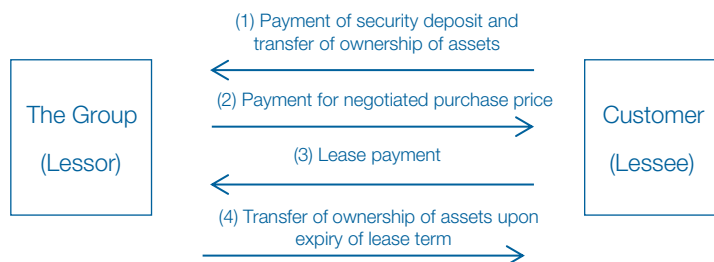
Below sets forth an overview of the Loan Financing Segment of the Group:

### **Loan Financing Business**

The Group’s Loan Financing Business has been selectively concentrated on sale-leaseback of specialty equipment, i.e., medical equipment from the hospitals in the PRC.

In a sale-leaseback, the Group’s customer (as lessee) sells its existing assets to the Group (as lessor) at a negotiated purchase price, and the lessor then leases such assets back to the lessee for its use in return for periodic lease payments. The lessee would also be required to pay a security deposit, which typically ranges from approximately 4.00% to 10.00% of the negotiated purchase price at the time of purchase. Under the sale-leaseback model, the Group will be the owner of such equipment until the lease payment has been paid in full, which will provide additional protection of the Group’s interests. The Group also typically provides consultancy services regarding relevant industry analysis and update in connection with the provision of financial leasing services on the request of its customers. Usually in the period from three to five years, the lessee repays the purchase price of the assets, interests and other fees to the lessor. At the end of the lease term, the ownership of the assets will be transferred to the lessee at a nominal consideration or for nil consideration. During the lease term, the lessee remains in possession of the underlying assets.

The following diagram illustrates the relationship between our customer and the Group at sale-leaseback:



The revenue of the loan financing operation is recognised by the interest income generated by provision of loan financing services to the customers.

### **Short-term Loan Business**

Short-term loan generally refers to a loan that is scheduled for repayment within one year, which is generally used to meet the liquidity needs of the borrower for their production and/or business operations. The key characteristic of the short-term loan business is the liquidity and profitability of loans within a relatively short period of time. As such, the Group selects its short-term loan customers based on certain criteria, including capital return, security and credit rating of the customers.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

The revenue of the short term loan operation is recognised by the interest income generated by provision of short term loans to the customers.

Pursuant to the Interim Measures for the Supervision and Administration of Financial Leasing Companies\* (《融資租賃公司監督管理暫行辦法》) (the “**Interim Measures**”) issued on 26 May 2020 by the China Banking and Insurance Regulatory Commission, financial leasing companies could only engage in financial leasing transactions. Other forms of lending activities, including the short-term loans, would be prohibited. As such, since the Interim Measures have come into effect on 1 July 2020, the Group has not entered into any new short-term loan agreements.

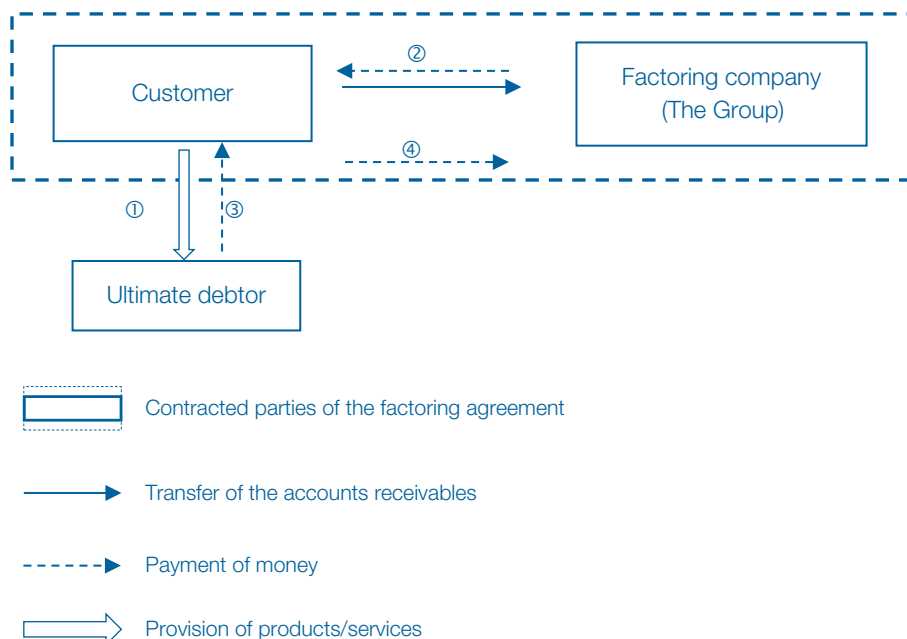
In January 2021, the Shanghai Local Financial Supervision and Administration Bureau issued the Notice on the Issuance of the Guidelines for Regulating Relevant Businesses Involving Individual Customers of Loan Financing Companies and Commercial Factoring Companies in Shanghai, which further clarified the requirements for loan financing companies and commercial factoring companies registered in Shanghai to carry out business involving individual customers in accordance with the laws. Pursuant to this guideline, the Group has made appropriate adjustments to its short-term loan business to cater for the relevant regulations in the PRC.

## **Factoring Business**

In May 2020, the Company established Shanghai Dongrui, with a registered capital of RMB50.0 million (equivalent to approximately HK\$56.6 million). It is principally engaged in importing and exporting factoring business, domestic and offshore factoring business and consulting services related to commercial factoring.

Factoring is a financing arrangement in which a business owner pledges its accounts receivables to the Group as security to obtain financing.

The following diagram illustrates a typical business flow of a factoring business arrangement:



### *Notes:*

1. Customer provides products/services to ultimate debtor, which generates accounts receivables.
2. Factoring company (the Group) provides financing to the customer and acquires accounts receivables from the customer as security for the financing.
3. Ultimate debtor settles the receivables with the customer upon the expiry of the relevant term of the accounts receivables.
4. Customer repays the outstanding loan to factoring company (the Group) pursuant to the terms of the factoring agreement.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Under the factoring agreement, it is the direct counterparty of the Group (i.e. the borrower of the loans) who is obliged to repay the loans to the Group. The relevant accounts receivables assigned to the Group only serve as additional security where the Group may go after the ultimate debtor of the accounts receivables in case of default by the customers of the Group.

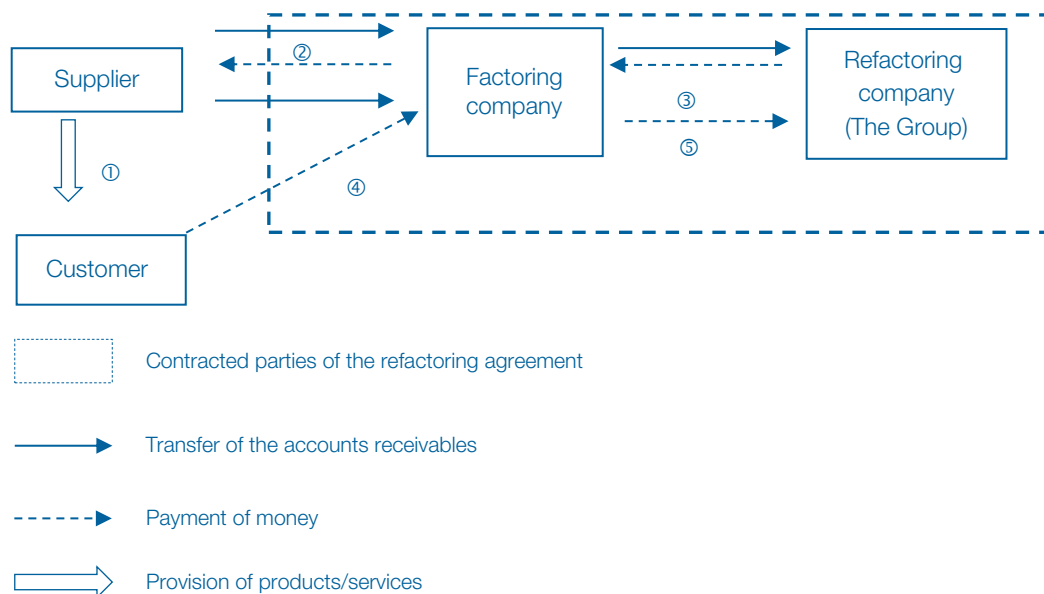
As all of the Group's existing factoring agreements are with recourse, the customer is obliged to repay the loans to the Group no matter whether the customers can collect the outstanding amount under the relevant accounts receivables from the original debtors.

The revenue of the factoring operation is recognised by the interest income generated by provision of factoring services to the customers.

## Refactoring Business

The Group's factoring business also includes refactoring business. Refactoring refers to an arrangement where the Group provides financing being secured by accounts receivables assigned to a factoring company from its factoring customers for a specified period of time, which typically ranged from 6 months to 12 months. The Group would pay the factoring company the specified loan amount upon transfer of outstanding accounts receivables. The Group's refactoring agreement is with recourse, where the Group may demand the factoring company to repurchase all the relevant outstanding accounts receivables upon the end of the term, including but not limited to the principal amount of the relevant outstanding accounts receivables, interest and other related expenses incurred by the outstanding accounts receivables. As such, even if there is any default of the underlying accounts receivables by the ultimate debtors, the Group could demand repayment of the principal and the relevant interest directly from the factoring company.

The following diagram illustrates a typical business flow of a refactoring arrangement:



### Notes:

- Supplier provides products/services to customer, which generates accounts receivables.
- Factoring company acquires receivables from the supplier at a certain purchase price.
- Refactoring company (the Group) acquires a series of receivables from the factoring company at a specified price.
- Customer settles the receivables with the factoring company upon the expiry of the relevant term of the accounts receivables.
- Factoring company repays the specified amount to refactoring company (the Group) pursuant to the terms of the refactoring agreement.



# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Under the refinancing agreement, it is the direct counterparty of the Group (i.e. the factoring company) who is obliged to repay the loans to the Group. The relevant accounts receivables assigned to the Group only serve as an additional security where the Group may go after the original debtor of the accounts receivables in case of default by the direct counterparty of the Group.

Since the direct counterparty of the Group under the refinancing agreement is the factoring company and the factoring company is obliged to repay the loans to the Group no matter whether the factoring company can collect the outstanding amount under the relevant accounts receivables from the original debtors, the debt recovery actions would be taken against the factoring company primarily.

Since the ownership of the relevant accounts receivables is assigned to the Group as security of the outstanding loans, the Group is also entitled to undertake relevant debt recovery actions against the ultimate debtors if situations require.

The revenue of the refinancing operation is recognised by the interest income generated by provision of refinancing services to the customers.

## **CLIENTS SIZE AND DIVERSITY**

### ***Target customers of Loan Financing Business***

The business model of the Group regarding its loan financing operation and choice of customers have always been focusing on projects with reliable ratings, sufficient security and controllable risks, the loan financing customers were mainly Grade III and Grade II hospitals in the PRC which have sizable operations or substantive assets, and thereby reducing the potential risk of default and enhancing security for the Group's assets.

So far the Directors are aware of, the Grade III and Grade II hospitals are primarily hospitals of larger scale with stable profitability and guaranteed reputation and operation systems, the Group considers that they are more reliable and safer in terms of recovery of loans as they tend to have more stable cash-flow and lower risk of default. At the same time, Grade III and Grade II hospitals typically prefer to enter into financial leasing with providers with credible source of capital and management team, like the Group, being a listed company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with sound reputation in the region. The management of the Group considers that targeting Grade III and Grade II hospitals for the provision of loan financing services is a viable business with sound prospects.

### ***Target customers of Factoring/Refinancing Business***

For the year ended 31 December 2022, through cooperation with a number of selected factoring companies, the Group has more than 100 ultimate end-customers, including real estate developers, construction companies, construction material companies and landscaping design companies in various regions of the PRC.

## **MAJOR TERMS OF THE LOAN FINANCING SEGMENT**

### ***Loan Financing Business and Factoring/Refinancing Business***

The loan financing agreements entered into by the Group mainly has a term of one year. The Group's loan financing customers are mainly selected for their relatively large operation scale, relatively stable income sources or large assets, and have strong repayment ability and can afford higher capital costs.

The Group's loan financing agreements are generally priced at a fixed rate. The interest rate is determined taking into account of factors including (i) prevailing market rates; (ii) risk premium through the assessment of the customer's industry and financial condition; and (iii) the Group's funding cost. The risk premium for pricing the Group's loan financing is determined by (i) negotiation on a case-by-case basis with each individual customer based on its industry and scale of business; and (ii) assessment on the customer's financial condition. The interest rate of the Group's loan financing agreements ranged from approximately 8.00% to 10.30%.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

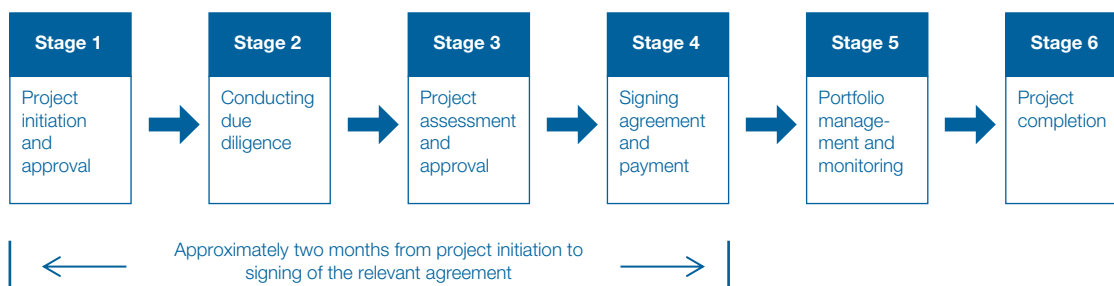
In relation to the factoring and refactoring agreements, the majority of the factoring/refactoring agreements entered into by the Group has a term of six months to one year. Based on the Director's information and belief, it is an industry norm that the majority of factoring/refactoring agreements are short-term agreements with terms not longer than one year as factoring/refactoring companies tend to mitigate bad debt risks and improve cash flow by obtaining accounts receivables that can be collected within one year.

The Group's factoring/refactoring agreements are generally priced at a fixed rate. The interest rate is determined taking into account of factors including (i) prevailing market rates; (ii) risk premium through the assessment of (a) the underlying accounts receivables, which would take into account the industry and financial condition of the underlying accounts receivables of the end customers (in the context of refactoring, the factoring companies); (b) the Group's counterparty (for factoring, the end customers and in the context of refactoring, the factoring companies), which would take into account of its scale, financial capacities and track record performance; and (iii) the Group's funding cost. The interest rate of the Group's factoring/refactoring agreements ranged from approximately 10.50% to 12.00%.

The Group has been able to provide a higher degree of flexibility on the terms of the factoring/refactoring and collateral required to meet the financial needs at the requests of the customers. By comparing the additional collateral which is normally required by financial institutions such as properties, equities, personal guarantees and third-party guarantees, the Group mainly considers and assesses the authenticity of the business operation and the repayment ability of the end customers (and in the context of refactoring, the factoring companies) and evaluates the default risk of such end customers (and in the context of refactoring, the factoring companies) as a whole, which allows the Group to be more flexible based on the business model and situations of individual customers.

## OPERATIONAL WORKFLOW OF THE LOAN FINANCING SEGMENT

Over the years, the Group has designed a systematic operational workflow and applied to each of its loan financing and factoring/refactoring transactions. Under this workflow, various risk control measures and procedures are consistently applied to every loan financing and factoring/refactoring transaction. The chart below sets out the typical process workflow of our loan financing and factoring business operations:



Since the operation workflow of both Loan Financing Business and Factoring/Refactoring Business are similar, staff in each operating segment in the loan financing team of the Group, namely the business development segment, asset development segment, accounting and finance segment, and human resources and administration segment would all be involved in both loan financing and financing/refactoring at the same time.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

The Short-term Loan Business and Loan Financing Business carried out by the Group over the years have equipped the Group and its staff with effective and mature procedures for internal and external risk identification and evaluation, expertise and know-how, alongside with relationship with potential customers and access to the financial services market. The other core members of the loan financing team are also equipped with experience in energy, manufacturing, real estate and other industries, as well as having professional backgrounds in finance, asset management and trusts.

The expertise, experience accumulated and the procedures developed from the operation of Loan Financing Business are shared and applied to the management of factoring business, and applied throughout the Group's Loan Financing Segment.

## ***Stage 1: Project initiation and approval***

The Group would analyse the needs for loan financing and/or factoring services in the targeted markets, gather potential customer's information, assess the customer's financial needs and understand the proposed use of the financing. Wherever relevant, the Group takes into consideration of the prevailing general conditions in which the customers operate, such as the PRC and local legislations and regulations, especially those specifically affect the customer's business, industry performance and macroeconomic conditions.

Regarding loan financing, upon receiving an application for loan financing services, the Group shall take into consideration the commercial feasibility based on the information provided by the customers. After accepting such application, the Group will prepare a project initiation report which contains, among others, the basic information of the lessee, the principal amount, condition and valuation of the equipment, collateral, guarantee, purpose of the proposed use of funds, source of repayment and/or proposed project plan (as the case may be).

Regarding factoring/refactoring, the end customers (and in the context of refactoring, the factoring companies) will usually first provide the Group with information in relation to the factoring/refactoring project, including the ultimate owner of the accounts receivables to be factored against, including its corporate structure, business operations, financial conditions and historical credit performance, and the Group will also prepare a project initiation report which contains, among others, basic information of the end customers (and in the context of refactoring, the factoring companies), purpose of the proposed use of funds, source of repayment and/or proposed project plan, accordingly.

The project initiation report for the loan financing projects and factoring/refactoring projects (as the case may be) stated above (collectively, the "**Project Initiation Report**") will first be submitted for review and pre-vetting approval by the general manager of the loan financing team, before passing the Project Initiation Report to the project approval committee ("**PAC**"), which consists three members, namely Mr. Cho Chun Wai, the executive Director and two members of the loan financing team, for approval. Based on the applicant's information, the PAC will assess, including, (i) whether the potential customer meets our requirements; and (ii) whether the business nature, business scale, pricing, term, interest, funds payment method as disclosed in the project proposal align with the Group's business policy.

## ***Stage 2: Perform due diligence***

The credit risk assessment of customers of the Group is mainly conducted by the due diligence work conducted by the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

## ***Loan Financing Business***

Regarding loan financing, the project team will conduct on-site investigation and due diligence on the background and credit-worthiness of the potential lessee (i.e. the borrower), including, but not limited to, (i) attending the potential lessee's office(s) to review and verify corporate documents, which include its legal representative's basic information; (ii) reviewing and verifying financial status concerning its solvency, operation and profitability; (iii) attending to respective government departments to review and inspect title documents of the leased assets and conduct valuation of leased assets; and (iv) evaluating the feasibility of the financing. The project team will also conduct due diligence on the guarantors (if applicable) of the potential lessee on the guarantors' basic information, including its financial status, such as solvency, operation and profitability, credit situation and its ultimate beneficial owners' basic information.

In respect of the asset appraisal, the Group requires the lessee to provide the purchase records for the leased assets or appoint independent asset appraisal agency to substantiate our assessment of the value of the leased assets. For certain more universal medical equipment/leased assets, the Group normally compiles a due diligence checklist on the assets based on documentation received and conducts on-site due diligence to verify the usage and status of the leased assets. For certain more specific leased or sophisticated leased asset that cannot be evaluated based on the above procedures, the Group requires the lessee to provide a valuation report issued by a qualified third-party asset valuer, and will make reasonable judgements and evaluations on the value of the asset based on the valuation report. After performing due diligence and discussing the potential risk and compliance of relevant laws and regulations internally, a due diligence report for each case (the "**Due Diligence Report**") will be prepared. The Due Diligence Report, along with relevant underlying documents, and the Project Initiation Report will be submitted to the Group's PAC for their review.

After approving such loans to the customer, the Company also has a series of on-going procedures as the risk management measures to continually monitor the customer.

## ***Factoring Business***

As all of the Group's existing factoring agreements are with recourse, meaning that the customer is obliged to repay the loans to the Group no matter whether the customer can collect the outstanding amount under the relevant accounts receivables from the original debtors, the principal focus of the due diligence work regarding factoring services is reviewing the operating conditions, operating risks, and repayment capabilities of the customer. With regards to the due diligence, the Group would also review the authenticity of the underlying transactions which generate the relevant accounts receivables.

In assessing each of the customer and the ultimate debtors during the loan approving procedures, the Group would generally obtain and review the following information and documents in respect of the customer (or the ultimate debtor) (as the case may be), including but not limited to:

- (i) comprehensive information of the customer (or the ultimate debtor, as the case may be), including, but not limited to its business licence, identity proof of its legal representative, articles of association, account opening permit, business scope, history and development related information, equity structure and background of its shareholders and relevant organisational structure;
- (ii) financial condition and major business operations of the customer;
- (iii) credit status of the customer, including subject rating report (主體評級報告) (if any) and credit report from the relevant central bank;
- (iv) information regarding the relevant transactions which generate the relevant accounts receivables, including but not limited to the relevant sales and purchase agreements and relevant sales and purchase invoices; and
- (v) in the case of the ultimate debtor, document proof evidencing the ultimate debtor's internal approval (or pre-approval) of the payment in respect of the transaction.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Apart from the review of the above-mentioned documents and information, the Group will also conduct interviews with the relevant business manager of the customer (or the ultimate debtor, as the case may be) on site or through other communication means to understand their business conditions and financial conditions, the authenticity of the transaction and the rationality of the transaction.

The Group would also cross-check the information and documents given by the customer regarding the relevant ultimate debtor.

After performing the above-mentioned due diligence process and discussing the potential risk and compliance of relevant laws and regulations internally, a Due Diligence Report also will be prepared.

After approving such loans to the customers, the Company also has a series of on-going procedures as the risk management measures to continually monitor the customers and ultimate debtor.

## ***Refactoring Business***

Regarding refactoring, the Group will conduct due diligence regarding each of the underlying accounts receivables to be refactored, such as reviewing the authenticity of the transaction which created such accounts receivables and cross-checking the relevant payment records and invoices against the relevant ledgers and accounts. The project team will also request the factoring company to conduct due diligence on the factoring end customer on its financial status, credit status and record and external guarantee status.

The principal focus of the due diligence work regarding refactoring services is reviewing the operating conditions, operating risks, and repayment capabilities of factoring companies.

In assessing each of the factoring company, the supplier and the ultimate debtors during the loan approving procedures, the Group would generally obtain and review the following information and documents in respect of the factoring company, the supplier and the ultimate debtors (as the case may be) including, but not limited to:

- (i) comprehensive information of the factoring company, the supplier and the ultimate debtors (as the case may be), including but not limited to its business licence, identity proof of its legal representative, articles of association, account opening permit, business scope, history and development related information, equity structure and background of its shareholders and relevant organisational structure;
- (ii) the financial condition and major business operations of the factoring company, the supplier and the ultimate debtors (as the case may be);
- (iii) credit status of the factoring company, including subject rating report (if any) and credit report from the relevant central bank;
- (iv) in the case of the supplier and the ultimate debtors' information regarding the relevant transactions which generate the relevant accounts receivables, including but not limited to the relevant sales and purchase agreements, relevant sales and purchase invoices;
- (v) in the case of the ultimate debtors, document proof evidencing the ultimate debtor's internal approval (or pre-approval) of the payment in respect of the transaction.

In addition, the Group would also request from the factoring company documents including (i) factoring contract entered into between the factoring company and relevant suppliers, and (ii) documents evidencing the assignment of the relevant accounts receivables from the relevant supplier to the factoring company.

Apart from the review of the above-mentioned documents and information, the Group will also conduct interviews with the relevant business manager of the factoring company, the supplier and the ultimate debtors (as the case may be) on site or through other communication means to understand their business conditions and financial conditions.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

The Group would also cross-check the information and documents given by the factoring company regarding the relevant ultimate debtor.

After performing the above-mentioned due diligence process and discussing the potential risk and compliance of relevant laws and regulations internally, a Due Diligence Report will be prepared.

After approving such loans to the refactoring companies, the Company also has a series of on-going procedures as the risk management measures to continually monitor the factoring companies, suppliers and ultimate debtor.

### ***Stage 3: Project feasibility assessment and approval***

Upon reviewing the Due Diligence Report for the loan financing and factoring/refactoring projects (as the case may be), the PAC will review and assess the completeness of relevant information and the Due Diligence Report before approving the proposed loan financing and factoring/refactoring projects. The PAC may advise to amend the proposed loan financing or factoring/refactoring project plan and/or adopt reinforcement measures in relation to conditions precedent of payment or post-lease/post-factoring management.

### ***Stage 4: Signing agreement and payment***

Upon obtaining approval from the PAC, the project team will negotiate and finalise the loan financing/factoring/refactoring structure and contract terms based on the internal approved terms and conditions. After execution of the relevant agreements, the project team will inspect and ensure the fulfilment of the conditions precedent under the relevant agreements before Mr. Cho Chun Wai, the executive Director and the general manager of the loan financing team approves the payment by the Group.

### ***Stage 5: Portfolio management and monitoring***

Please refer to the description of monitoring loan repayment and recovery below.

### ***Stage 6: Project completion***

At completion stage, regarding loan financing, the customer purchases the leased assets from the Group at a nominal consideration or for nil consideration, and the project team will be responsible for the final settlement and relevant ownership transfer process.

Regarding factoring, the borrower of the loan repays the principal amount of the relevant outstanding accounts receivables, interest and other related expenses incurred by the outstanding accounts receivables to the Group upon expiry of the term.

Regarding refactoring, the factoring company repays the principal amount of the relevant outstanding accounts receivables, interest and other related expenses incurred by the outstanding accounts receivables to the Group upon expiry of the term.

### **Monitoring loan repayment**

The project team is responsible for post-finance/post-factoring portfolio management through timely collection of periodic payments. In particular, the asset development segment of the project team is responsible for portfolio management and on-going monitoring and analysis of the Group's loan financing projects, including handling the collection of payments under the loan financing projects. It also cooperates with other departments of the Group, such as the legal department, to undertake suitable actions in case of delay or unsuccessful collection of debts.

### ***Loan Financing Business***

Regarding loan financing, the project team will handle and follow up with the asset title registration with relevant government organisations and monitoring each project status and monitor loan repayment and recovery, and preparation of regular (by quarter or interim) on-site inspection reports on the leased assets, which will cover the following key aspects: (i) whether the leased assets have been maintained in good and complete condition; (ii) whether the lessee overuses and abuses the leased assets; and (iii) whether the relevant registration is duly completed. The Group also conducts valuation on our leased assets by our in-house specialist on a periodic basis, so that we can keep track of and evaluate our lessee's creditworthiness.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

## ***Factoring/Refactoring Business***

Regarding factoring/refactoring, the project team will normally (i) contact the end customers (and in the context of refactoring, the factoring companies) by telephone to obtain update on their latest status; (ii) regularly conduct media and other desktop searches against the end customers (and in the context of refactoring, the factoring companies) to monitor whether there is public information and updates regarding its operations and financial status, etc.; (iii) require the the end customers (and in the context of refactoring, the factoring companies) to provide their audited reports and credit-worthiness report for each financial year to the Group for records; and (iv) issue repayment reminder to the end customers (and in the context of refactoring, the factoring companies) typically one month before the scheduled repayment date.

In particular, after the release of funds to the end customers (and in the context of refactoring, the factoring companies), the Group will conduct regular checking and monitoring on the the end customers (and in the context of refactoring, the factoring companies).

## **Loan Recovery**

### ***Loan Financing Business***

If any of the payment is not received on time, the project team will follow up with the respective counterparty for repayment as soon as practicable. In particular, the asset development segment of the project team cooperates with other departments of the Group, such as the legal department, to undertake suitable actions in case of delay or unsuccessful collection of debts.

Under the Group's loan financing agreements, the Group is usually entitled to several remedies, including, among other things, acceleration of loan financing receivables repayment when a customer defaults the loan financing agreement. The Group may decide on whether to exercise such remedy by considering (i) the credit record of the customer; (ii) our relationship with the customer; (iii) the current status and the prospects of the customer's financial condition; and (iv) the difficulty of repossessing the assets underlying our leases and realising their value.

### ***Factoring Business***

Since the direct counterparty of the Group under the factoring agreement is the customer and the customer is obliged to repay the loans to the Group no matter whether the customer can collect the outstanding amount under the relevant accounts receivables from the original debtors, the debt recovery actions to be detailed below would be taken against the customer primarily.

Since the ownership of the relevant accounts receivables is assigned to the Group as security of the outstanding loans, the Group is also entitled to undertake relevant debt recovery actions against the ultimate debtor if situations require.

### ***Refactoring Business***

Since the direct counterparty of the Group under the refactoring agreement is the factoring company and the factoring company is obliged to repay the loans to the Group no matter whether the factoring company can collect the outstanding amount under the relevant accounts receivables from the original debtor, the debt recovery actions would be taken against the factoring company primarily.

Since the ownership of the relevant accounts receivables is assigned to the Group as security of the outstanding loans, the Group is also entitled to undertake relevant debt recovery actions against the ultimate debtors if situations require.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

## Procedures for default

The detailed procedures to be taken by the Group against the Group's direct counterparty across the Group's financing products, such as loan financing and factoring/refactoring, in case of default are set out as follows:

### *Stage one*

The Group will approach and contact the counterparty through various means to confirm the repayment details typically two weeks before the scheduled repayment date.

### *Stage two*

In the event that the counterparty indicates that it is unable to repay the agreed amount on time, the Group will commence preliminary negotiation process with them, including issuing relevant notifications to inform them of their obligation to repay and the possible consequences of its default (including but not limited to possible penalty interest and relevant legal actions which could be taken by the Group to recover the outstanding amounts).

### *Stage three*

In case where preliminary negotiation with the counterparty is not successful or the counterparty continues to fail to settle the outstanding amount under the renegotiated repayment arrangements, the Group will proceed to undertake further action against the counterparty, including but not limited to (i) requesting arbitration or intervention from the relevant competent authority, municipal or district-level administrative authorities; and (ii) engaging the Group's PRC legal adviser to issue letter to inform the counterparty of the possible contractual and/or legal liability and consequence under the agreements.

### *Stage four*

In case where the abovementioned actions taken by the Group cannot lead to satisfactory results, the Group will engage the PRC legal adviser to proceed with the necessary legal actions against the relevant counterparty.

In addition to the above procedures, if the Group considers the possibility of recovering the default loans is low, the Group may also explore the possibility of cooperating with third-party asset management companies for partial or complete transfer of the relevant bad debts to recover part of the outstanding amount in order to reduce the overall risk exposure of the Group.

## Actions taken by the Board in respect of default

For the year ended 31 December 2022, the Group had on-going legal action against Shaanxi Taibai and Dan Zhou Zhongcheng to recover the outstanding loans subsequent to its default.

Since October 2019 and for the year ended 31 December 2021 and 2022, 陝西太白山投資集團有限公司 (for identification purpose, Shaanxi Taibai Mountain Investment Group Co., Ltd.) ("**Shaanxi Taibai**") has failed and/or refused to pay the lease rent and purchase price of RMB35,426,293.77 (equivalent to approximately HK\$40.1 million) payable under the loan financing agreement dated 25 October 2018 and entered into with the Group (the "**Shaanxi Taibai Agreement**"), despite repeated requests and demands by the Group. In April 2020, the Group commenced legal action against Shaanxi Taibai and the guarantor of the Shaanxi Taibai Agreement, for the breach of the Shaanxi Taibai Agreement (the "**Legal Proceedings**"). On 6 November 2020, the Group received a judgment from Shanghai Pudong New District People's Court dated 26 October 2020 regarding the Legal Proceedings (the "**Judgment**") in its favour. As stated in the Judgment, Shaanxi Taibai was ordered to pay to the Group (i) all the outstanding lease rent and purchase price of approximately RMB33.0 million (equivalent to approximately HK\$37.3 million); (ii) the default interest till 10 March 2020 totaling approximately RMB0.6 million (equivalent to approximately HK\$0.7 million) and the default interest from 11 March 2020 till the actual date of repayment of the default interest; and (iii) the legal fee incurred by the Group of RMB0.3 million (equivalent to approximately HK\$0.3 million) (collectively, the "**Judgement Debt**"). As stated in the Judgment, the guarantor of the Shaanxi Taibai Agreement is also found to be jointly and severally liable for the repayment obligations of Shaanxi Taibai.



# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Shanghai Dongkui provided a short-term loan to 儋州中誠裝修有限公司 (for identification purpose, Dan Zhou Zhongcheng Decoration Co., Ltd (“**Dan Zhou Zhongcheng**”)) with a project amount of RMB25.0 million (equivalent to approximately HK\$28.3 million). As at 22 October 2021, Dan Zhou Zhongcheng has not repaid the loan of RMB25.0 million (equivalent to approximately HK\$28.3 million) together with all outstanding accrued interest (i.e. interest of approximately RMB0.3 million (equivalent to approximately HK\$0.3 million) on the last instalment of payment), totalling approximately RMB25.3 million (equivalent to approximately HK\$28.6 million). Accordingly, the Company has sought legal advice and instituted legal proceedings in the Suburban People’s Court of Sanya City, Hainan Province (the “**Sanya Court**”) against Dan Zhou Zhongcheng and its guarantor (the “**Dan Zhou Zhongcheng Legal Proceedings**”). On 26 September 2022, Shanghai Dongkui received a judgment from the Sanya Court dated 18 June 2022 regarding the Legal Proceedings (the “**Dan Zhou Zhongcheng Judgment**”) in its favour. The Dan Zhou Zhongcheng Judgment ordered, amongst others, that (1) Dan Zhou Zhongcheng to pay Shanghai Dongkui the outstanding loan of RMB25.0 million (equivalent to approximately HK\$28.3 million) with the accrued interests from 21 September 2021 to the date of the repayment of all the outstanding amount calculated based on the principal amount of RMB25.0 million (equivalent to approximately HK\$28.3 million) and annual interest rate of 15.40%; (2) Dan Zhou Zhongcheng to pay Shanghai Dongkui RMB0.3 million (equivalent to approximately HK\$0.3 million) as the legal fee; (3) the guarantor is jointly and severally liable for the repayment obligations of Dan Zhou Zhongcheng of the debts; and (4) Shanghai Dongkui has priority rights in satisfying its claim in relation to the debts from the proceeds of converting the property of the guarantor, into money, auction or sale such property.

For the year ended 31 December 2022, to the best of the Board’s knowledge, information and belief, save as the legal proceedings against Shaanxi Taibai and Dan Zhou Zhongcheng, no member of the Group was engaged in any litigation, arbitration or claim to recover the outstanding loans from its customers for the year ended 31 December 2022.

## **IMPAIRMENT AND WRITE-OFF OF LOANS**

The circumstances leading to impairment primarily involve (i) ECL (as defined and explained below) made based on the ordinary discount made to the present value of the loan receivables concerned; (ii) the deterioration of the financial conditions and/or credit ratings of the counterparty of the relevant financial leasing agreements and factoring/refactoring agreements; and (iii) actual default of loan concerned.

ECL reflected the ordinary discount made to the present value of the loan receivables based on external factors such as changes in macro-economic environment and the financial conditions of the counterparties, which were beyond the control of the Group and were not resulted from any default of the relevant loans concerned. As a matter of fact, only Shaanxi Taibai has been fully written-off due to the default of the relevant loan.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

The Group will make an impairment on the loan receivables when there has been a change in credit risk since initial recognition. The Directors assess the credit risk of the loan receivables of the Group on a monthly basis.

Practically speaking, the impairment loss on loan receivables was derived from the expected credit loss (“**ECL**”) accrued by the Group since the adoption of HKFRS 9. The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the loan receivables has not increased significantly since initial recognition, the Group measures the loss allowance for the relevant loan receivables at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a loan receivable. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan receivable that are possible within 12 months after the reporting date.

When making the impairment loss on loan receivables, the Group presumes that the credit risk on its loan receivables has increased significantly since initial recognition as the loan receivables contain a significant financing component, unless the Group has reasonable and supportable information that demonstrates otherwise.

## The basis of determining the amount of impairment

The basis of determining the amount of impairment is based on the ECL model according to HKFRS 9. The HKFRS 9 outlines a “three-stage” model (the “**General Model**”) for impairment based on changes in credit quality since initial recognition:

**Stage 1** includes financial instruments that have not had a significant increase in credit risks in initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECL is recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

**Stage 2** includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL is recognised, but interest revenue is still calculated on the gross carrying amount of the asset.

**Stage 3** includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognised and interest revenue is calculated on the net carrying amount of the asset.

As mentioned above, in connection with the loan receivables of the Group, the Group presumes that the credit risk has increased significantly since initial recognition due to the loan receivables contain a significant financing component, unless the Group has reasonable and supportable information that demonstrates otherwise.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

The Group has been adopting the General Model in connection with its loan receivables. The ECL formula is presented as follows:

$$\text{ECL} = \text{EAD} \times \text{PD} \times \text{LGD} \times \text{Discount factor}$$

where:

ECL = Expected Credit Loss

EAD = Exposure at Default

PD = Probability of Default

LGD = Loss Given Default

Discount factor is based on the expected date of default and applies effective interest rate to discount the future loss into present value.

According to the ECL formula set out above, the valuation and the measurement of ECL is based on the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (which includes macro-economic information). For the exposure at default, this is represented by the loans' gross carrying amount at the reporting date.

The ECL represents the difference between all contractual cash flows that are due to the Group in accordance with the relevant contracts and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

During the Reporting Period, the Group has engaged independent external valuers, who has extensive experience in business valuation in the Hong Kong, Macau and the PRC, to perform the report and assessment of ECL for certain loans and factoring receivables owned by the Group (the "**Valuation Report**") and the amount of ECL was based on the Valuation Report.

Based on the Valuation Report, the ECL was determined by the external valuers with reference to, among others, (i) the financial information, project documentation and other pertinent data of the Group's customers; (ii) default study report published by an international rating agency; and (iii) the discussion with the management of the Group.

The assumptions of the valuations include, among others, (i) the forecasted probabilities of default receivables as at 31 December 2022 which were based on historical default and the forward looking factor, which was based on regression analysis; (ii) recovery rates of receivables as at 31 December 2022 which were based on historical recovery rates; and (iii) regression input.

After due and careful consideration of the reasons of impairment as set out in the Valuation Report, the Directors assessed the provision for impairment of loan receivables set out in the Valuation Report and decided to recognise impairment, and circulated the Valuation Report for the consideration of the auditor of the Group. While performing its auditing, the auditor of the Group discussed with the management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence. The auditors have also evaluated the competence, capabilities and objectivity of the Group's independent external valuers accordingly.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

## Impairment of Loans

Within the Group's loan portfolio, only the loan financing agreement with Shaanxi Taibai has been fully written-off due to the default of Shaanxi Taibai for its breach of the loan financing agreement entered into with the Group. For other loan financing agreements and factoring/refactoring agreements, ECL was properly determined in accordance with to HKFRS 9 with reference to the ordinary discount made to the present value of the loan receivables concerned, and/or changes in the financial conditions and credit ratings of the counterparty of the relevant loan financing agreements and factoring/refactoring agreements.

The approval of all the loan financing agreements, factoring/refactoring agreements (as the case may be) (including the credit risk assessment and mechanism in determining the terms of the financial leasing agreements and factoring/refactoring agreements), performance of due diligence, assessment and approval of the projects, signing and payment of the relevant loan financing agreements and factoring/refactoring agreements (as the case may be), management and monitoring of the loan portfolios were carried out in accordance with the established operational workflow applied to the Group's loan financing and factoring/refactoring transactions, and the Board considered that the Company's internal control procedures were sound and effective. For the year ended 31 December 2022, the Directors are not aware of any material deviation occurred in the approval process of the relevant loans which have been impaired and/or written-off.

For the year ended 31 December 2022, there was a reversal of impairment losses on loan receivables (net of recognised impairment losses) of approximately HK\$0.3 million (2021: approximately HK\$22.1 million), which comprised of the reversal of impairment losses on Dan Zhou Zhongcheng in the amount of approximately HK\$35,000, subsequent to the Dan Zhou Zhongcheng Judgment (2021: impairment losses recognised in the amount of approximately HK\$3.0 million). For details, please refer to the paragraph headed "Financial Highlight – Dongkui Business – Short-term Loan Business" below. After discussing with the auditors and understanding the assessment criteria, the Board believed that the such impairment is appropriate.

Despite the above, the Board will closely monitor the development of the macro economy of the PRC, the market structure of the money lending business in the PRC and the development of the principal laws, rules and regulations in the PRC which are material to the Group's Loan Financing Segment, and shall optimise and improve the operational workflow to the Group's loan financing and factoring/refactoring transactions from time to time.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

## FINANCIAL HIGHLIGHT

The results of the Group are summarized as follows:

	<b>For the year ended 31 December 2022 HK\$'000</b>	For the year ended 31 December 2021 HK\$'000
<b>Revenue</b>	<b>107,120</b>	140,974
<b>(Loss)/ profit from operations</b>	<b>(15,549)</b>	82,982
Finance income – net	<b>155</b>	369
<b>(Loss)/ profit before tax</b>	<b>(15,394)</b>	83,351
Income tax expense	<b>(3,105)</b>	(14,377)
<b>(Loss)/ profit for the year</b>	<b>(18,499)</b>	68,974

The assets and liabilities as at 31 December of the Group are summarized as follows:

	<b>2022 HK\$'000</b>	2021 HK\$'000
Non-current assets	<b>316,722</b>	364,652
Current assets	<b>687,809</b>	722,903
Current liabilities	<b>59,931</b>	60,253
Non-current liabilities	<b>4,047</b>	4,179
Equity attributable to owners of the Company	<b>764,019</b>	824,876

## BUSINESS REVIEW

For the year ended 31 December 2022, the Group recorded revenue of approximately HK\$107.1 million (2021: approximately HK\$141.0 million), representing a decrease of 24.04%. The decrease in total revenue was mainly attributable by the decrease in revenue from sales of flowers and plants. On the other hand, the revenue from Dongkui Business remained sound and stable in 2022.

The loss for the year attributable to owners of the Group for the year ended 31 December 2022 was approximately HK\$17.3 million (2021: profit of approximately HK\$54.2 million). The change from profit to loss in 2022 is mainly due to the assessed fair value losses of Dong Dong Mall of approximately HK\$31.4 million (2021: fair value profits of approximately HK\$15.8 million); and exchange losses of approximately HK\$20.6 million (2021: exchange gains of approximately HK\$7.4 million). Excluding the two main reasons mentioned above, the Group's profitability in 2022 has actually achieved a slight increase.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

## DONGKUI BUSINESS

In 2022, as the customers repaid their loans on time and its business remained sound and stable, the business operation of Shanghai Dongkui has not been significantly affected by the COVID-19 pandemic. The Group will maintain a cautious approach in its business development planning to deliver a solid growth in the long run.

For the year ended 31 December 2022, the Dongkui Business segment, being the loan financing segment of the Group, contributed revenue of approximately HK\$58.4 million (2021: revenue of approximately HK\$58.3 million), representing an increase of approximately 0.17%. This segment has recorded profit after tax of approximately HK\$41.6 million (2021: profit after tax of approximately HK\$65.3 million). The decrease in profit was mainly due to the reversal of impairment loss on loan receivables from approximately HK\$22.1 million last year to approximately HK\$0.3 million. After deducting relevant impact, the profit for the year was similar to the profit for last year. Below sets out all the agreements entered into between the Group and its customers in the Dongkui Business segment for the year ended 31 December 2022:

### Short-term Loan Business

Shanghai Dongkui is now providing short-term loan business for a company, Dan Zhou Zhongcheng with a project amount of RMB 25.0 million (equivalent to approximately HK\$28.3 million). As at 22 October 2021, Dan Zhou Zhongcheng has not repaid the loan of RMB25.0 million (equivalent to approximately HK\$28.3 million) together with all outstanding accrued interest (i.e. interest of approximately RMB0.3 million (equivalent to approximately HK\$0.3 million) on the last instalment of payment), totalling approximately RMB25.3 million (equivalent to approximately HK\$28.6 million). Accordingly, the Company has sought legal advice and instituted legal proceedings in the Suburban People's Court of Sanya City, Hainan Province against Dan Zhou Zhongcheng and the guarantor. On 26 September 2022, Shanghai Dongkui received a judgment from the Sanya Court dated 18 June 2022 regarding the Legal Proceeding in its favour. The Judgment ordered, amongst others, that (1) Dan Zhou Zhongcheng to pay Shanghai Dongkui the outstanding loan of RMB25.0 million (equivalent to approximately HK\$28.3 million) with the accrued interests from 21 September 2021 to the date of the repayment of all the outstanding amount calculated based on the principal amount of RMB25.0 million (equivalent to approximately HK\$28.3 million) and annual interest rate of 15.40%; (2) Dan Zhou Zhongcheng to pay Shanghai Dongkui RMB0.3 million (equivalent to approximately HK\$0.3 million) as the legal fee; (3) the guarantor is jointly and severally liable for the repayment obligations of Dan Zhou Zhongcheng of the debts; and (4) Shanghai Dongkui has priority rights in satisfying its claim in relation to the debts from the proceeds of converting the property of the guarantor into money, auction or sale such property. For further details, please refer to the announcement of the Company dated 28 September 2022.

### Factoring/Refactoring Business

On 15 April 2022, Shanghai Dongrui entered into a factoring agreement with 重慶嘉望商貿有限公司 (for identification purpose, Chongqing Jia Wang Trading Ltd. ("**Chongqing Jia Wang**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the consideration for the accounts receivables of approximately RMB7.8 million (equivalent to approximately HK\$8.8 million) assigned to Chongqing Jia Wang from the factoring customers of Chongqing Jia Wang for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of approximately RMB7.0 million (equivalent to approximately HK\$7.9 million) and an interest rate of 12.00% per annum.

On 15 April 2022, Shanghai Dongrui entered into a factoring agreement with 重慶泛海建築勞務有限責任公司 (for identification purpose, Chongqing Fanhai Construction Labor Service Company Ltd. ("**Chongqing Fanhai**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB11.2 million (equivalent to approximately HK\$12.7 million) assigned to Chongqing Fanhai from the factoring customers of Chongqing Fanhai for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB10.0 million (equivalent to approximately HK\$11.3 million) and an interest rate of 12.00% per annum.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

On 29 June 2022, Shanghai Dongrui entered into a refactoring agreement with 江蘇鵬輝融資租賃有限公司 (for identification purpose, Jiangsu Penghui Financial Leasing Co., Ltd. (“**Jiangsu Penghui**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB16.7 million (equivalent to approximately HK\$18.9 million) assigned to Jiangsu Penghui from the factoring customers of Jiangsu Penghui for a term of 1 year from the date of execution of the refactoring agreement, with the refactoring principal amount of approximately RMB15.1 million (equivalent to approximately HK\$17.1 million) and an interest rate of 10.63% per annum. For further details, please refer to the announcement of the Company dated 29 June 2022.

On 15 September 2022, Shanghai Dongrui entered into a refactoring business with Jiangsu Penghui, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB34.7 million (equivalent to approximately HK\$39.2 million) assigned to Jiangsu Penghui from the factoring customers of Jiangsu Penghui for a term of 1 year from the date of execution of the refactoring agreement, with the refactoring principal amount of approximately RMB31.4 million (equivalent to approximately HK\$35.5 million) and an interest rate of 10.63% per annum.

On 27 September 2022, Shanghai Dongrui entered into a refactoring agreement with 重慶璞美苗木有限公司 (for identification purpose, Chongqing Pumei Miaomu Company Ltd. (“**Chongqing Pumei**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB40.3 million (equivalent to approximately HK\$45.6 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of RMB36.0 million (equivalent to approximately HK\$40.7 million) and an interest rate of 12.00% per annum. For further details, please refer to the announcement of the Company dated 27 September 2022.

On 14 October 2022, Shanghai Dongrui entered into a factoring agreement with 重慶潮豐聯物資有限公司 (for identification purpose, Chongqing Chaofung United Material Supplies Ltd. (“**Chongqing Chaofung**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB49.8 million (equivalent to approximately HK\$56.3 million) assigned to Chongqing Chaofung from the factoring customers of Chongqing Chaofung for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB45 million (equivalent to approximately HK\$50.9 million) and an interest rate of 10.50% per annum. For further details, please refer to the announcement of the Company dated 14 October 2022.

On 14 October 2022, Shanghai Dongrui entered into a factoring agreement with 重慶奧遠物資有限公司 (for identification purpose, Chongqing Aoyuan Materials Company Ltd. (“**Chongqing Aoyuan**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB11.1 million (equivalent to approximately HK\$12.6 million) assigned to Chongqing Aoyuan from the factoring customers of Chongqing Aoyuan for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB10 million (equivalent to approximately HK\$11.3 million) and an interest rate of 10.50% per annum. For further details, please refer to the announcement of the Company dated 14 October 2022.

On 17 October 2022, Shanghai Dongrui entered into a factoring agreement with 重慶茂同裝飾工程有限公司 (for identification purpose, Chongqing Maotong Decoration Engineering Company Ltd. (“**Chongqing Maotong**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB51.9 million (equivalent to approximately HK\$58.7 million) assigned to Chongqing Maotong from the factoring customers of Chongqing Maotong for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB46.5 million (equivalent to approximately HK\$52.6 million) and an interest rate of 11.52% per annum. For further details, please refer to the announcement of the Company dated 17 October 2022.

On 17 October 2022, Shanghai Dongrui entered into a factoring business with Chongqing Pumei, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB11.8 million (equivalent to approximately HK\$13.3 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB10.5 million (equivalent to approximately HK\$11.9 million) and an interest rate of 12.00% per annum.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

On 18 October 2022, Shanghai Dongrui entered into a factoring agreement with 廣東大地鋼鐵有限公司 (for identification purpose, Guangdong Iron United Material Supplies Ltd. ("**Guangdong Iron**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB49.8 million (equivalent to approximately HK\$56.3 million) assigned to Guangdong Iron from the factoring customers of Guangdong Iron for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB45.0 million (equivalent to approximately HK\$50.9 million) and an interest rate of 10.50% per annum. For further details, please refer to the announcement of the Company dated 18 October 2022.

On 17 October 2022, Shanghai Dongrui entered into a refactoring agreement 1 with 深圳盛世嘉誠保理有限公司 (for identification purpose, Shenzhen Sheng Shi Jia Cheng Factoring Company Ltd. ("**Sheng Shi**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB3.4 million (equivalent to approximately HK\$3.8 million) assigned to Sheng Shi from the factoring customers of Sheng Shi for a term of 1 year from the date of execution of the refactoring agreement 1, with the factoring principal amount of approximately RMB3.0 million (equivalent to approximately HK\$3.4 million) and an interest rate of 10.63% per annum. On 31 October 2022, Shanghai Dongrui entered into a refactoring agreement 2, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB29.8 million (equivalent to approximately HK\$33.7 million) assigned to Sheng Shi from the factoring customers of Sheng Shi for a term of 1 year from the date of execution of the refactoring agreement 2, with the factoring principal amount of approximately RMB26.9 million (equivalent to approximately HK\$30.4 million) and an interest rate of 10.60% per annum. For further details, please refer to the announcement of the Company dated 31 October 2022.

On 3 November 2022, Shanghai Dongrui entered into a refactoring agreement with Sheng Shi, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB18.0 million (equivalent to approximately HK\$20.4 million) assigned to Sheng Shi from the factoring customers of Sheng Shi for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of approximately RMB16.3 million (equivalent to approximately HK\$18.4 million) and an interest rate of 10.62% per annum.

On 3 November 2022, Shanghai Dongrui entered into a refactoring agreement with 磐嶼商業保理有限公司 (for identification purpose, Pun Yu Commercial Factoring Ltd. ("**Pun Yu**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB55.2 million (equivalent to approximately HK\$62.4 million) assigned to Pun Yu from the factoring customers of Pun Yu for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of approximately RMB44.9 million (equivalent to approximately HK\$50.8 million) and an interest rate of 10.62% per annum. For further details, please refer to the announcement of the Company dated 3 November 2022.

On 4 November 2022, Shanghai Dongrui entered into a factoring agreement with 重慶柏翠苗木有限公司 (for identification purpose, Chongqing Baicui Tree Nurseries Company Ltd. ("**Chongqing Baicui**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB55.9 million (equivalent to approximately HK\$63.2 million) assigned to Chongqing Baicui from the factoring customers of Chongqing Baicui for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB50.0 million (equivalent to approximately HK\$56.6 million) and an interest rate of 11.78% per annum. For further details, please refer to the announcement of the Company dated 4 November 2022.



# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

On 15 September 2022, Shanghai Dongrui entered into a 2022 re-factoring agreement with 國昀瑞業(深圳)商業保理有限公司 (for identification purpose, Guojun Xiuer (Shenzhen) Commercial Factoring Ltd. (“**Guojun Xiuer**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB6.5 million (equivalent to approximately HK\$7.4 million) assigned to Guojun Xiuer from the factoring customers of Guojun Xiuer for a term of 1 year from the date of execution of the 2022 re-factoring agreement, with the factoring principal amount of approximately RMB5.9 million (equivalent to approximately HK\$6.7 million) and an interest rate of 10.63% per annum. On 17 November 2022, Shanghai Dongrui entered into the supplemental agreement with Guojun Xiuer to amend certain terms of the 2021 re-factoring agreement, including extending the financing term from 17 November 2022 to 17 December 2022 and revising the consideration from approximately RMB40.7 million (equivalent to approximately HK\$46.0 million), to approximately RMB40.4 million (equivalent to approximately HK\$45.7 million). Please refer to the announcement of the Company dated 17 November 2022.

On 15 September 2022, Shanghai Dongrui entered into the factoring agreement 1 with 上海翊眩實業有限公司 (for identification purpose, Shanghai Hongxuan Industrial Company Ltd. (“**Shanghai Hongxuan**”)), pursuant to which Shanghai Dongrui agreed to provide financing being secured by accounts receivable of approximately RMB10.6 million (equivalent to approximately HK\$12.0 million) assigned to Shanghai Hongxuan from the factoring customers of Shanghai Hongxuan for a period of 1 year from the date of signing of the factoring agreement 1 with the factoring principal amount of RMB9.5 million (equivalent to approximately HK\$10.7 million) and an interest rate of 12.00% per annum. On 28 November 2022, Shanghai Dongrui and Shanghai Hongxuan entered into the factoring agreement 2, pursuant to which Shanghai Dongrui agreed to provide financing being secured by accounts receivable of approximately RMB41.3 million (equivalent to approximately HK\$46.7 million) assigned to Shanghai Hongxuan from the factoring customers of Shanghai Hongxuan for a period of 1 year from the date of signing of the factoring agreement 2 with the factoring principal amount of RMB36.9 million (equivalent to approximately HK\$41.7 million) and an interest rate of 12.00% per annum. Please refer to the announcement of the Company dated 28 November 2022.

## PROPERTY INVESTMENT HOLDING

Chongqing Baoxu, a subsidiary of which 70% equity interest is owned by the Company, is principally engaged in the commercial business of Dong Dong Mall, a shopping arcade for commercial use and located at No. 2, Second Lane, Nanping East Road, Nanan District, Chongqing in the PRC with a total gross floor area of 18,043.45 square meters. Dong Dong Mall is adjacent to a main pedestrian street and a number of shopping malls, where is a hot-spot of fashion, shopping, entertainment and business for residents around south Chongqing due to its convenient public transportation.

In 2022, the local COVID-19 infection cases in the PRC caused by the divergent variants of COVID-19 continued to fluctuate. In November 2022, a large scale outbreak occurred in Chongqing City. city-wide lockdown measures in Chongqing City were implemented to contain the outbreak of local COVID-19 cases in Chongqing City, movement of citizens was restricted, leading to a significant impact on the consumption pattern of consumers and significantly reduced the consumption desire of the people, resulting in a decrease in the revenue of Dong Dong Mall. Under these uncertain circumstances, Dong Dong Mall relieved tenants’ pressure by methods such as reducing rents and maintained a stable leasing rate for commercial space.

For the year ended 31 December 2022, the Group’s property investment segment contributed revenue of approximately HK\$9.7 million (2021: approximately HK\$12.0 million), representing a decrease of approximately 19.17% which was mainly attributable to the implementation of lockdown in Chongqing City. In addition, due to the weak economy affected by COVID-19, as the continuous COVID-19 pandemic affecting the property market in Chongqing, the valuation of Dong Dong Mall had decreased. For the year ended 31 December 2022, the assessed fair value losses of Dong Dong Mall accounted for approximately HK\$31.4 million (2021: fair value gains of approximately HK\$15.8 million), thus generating unfavorable impact for the Group in 2022. For the year ended 31 December 2022, this segment recorded loss after tax of approximately HK\$20.5 million (2021: profit after tax of approximately HK\$19.3 million). In fact, excluding the impact of fair value assessment of Dong Dong Mall, the profitability of this segment can still be maintained this year.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

## SALES OF FLOWERS AND PLANTS

During the year, sales of flowers and plants declined due to the adverse impact of the COVID-19 pandemic. For the year ended 31 December 2022, the Group's sales of flowers and plants segment has contributed revenue of approximately HK\$39.0 million (2021: approximately HK\$70.3 million), representing a decrease of 44.52%. However, this segment has recorded a profit after tax of approximately HK\$0.6 million for the year ended 31 December 2022 (2021: profit after tax of approximately HK\$1.2 million).

## DISTRESSED ASSETS MANAGEMENT

Shanghai Dongkui, a 77.58% owned subsidiary of the Company, acquired 安信萬邦資產管理有限公司 (for identification purpose, Anxin Wanbang Asset Management Co., Ltd. ("**Anxin Wanbang**")) with a cash amount of RMB60,000 (equivalent to approximately HK\$73,620 as at the date of acquisition). On the date of acquisition, the net liabilities of Anxin Wanbang were approximately RMB1.7 million (equivalent to approximately HK\$1.9 million), the purchase price was RMB60,000 (equivalent to approximately HK\$67,860), and the registered capital of Anxin Wanbang was RMB50.0 million (equivalent to approximately HK\$56.6 million). Anxin Wanbang is principally engaged in the provision of services and distressed assets management. For the year ended 31 December 2022, the Group's distressed assets management segment has not contributed revenue (2021: revenue of approximately HK\$0.4 million). Meanwhile, this segment has recorded a loss after tax of approximately HK\$3.3 million for the year ended 31 December 2022 (2021: loss after tax of approximately HK\$9.0 million), due to the recognition of expenses, including staff costs and depreciation expenses, despite there is no revenue in the Group's distressed assets management segment.

Since the acquisition, Anxin Wanbang's team has explored two business models for the distressed assets management business, by studying a number of projects and exploring how to take the business forward in compliance with the relevant regulations. However, in the implementation of these two models, we have not been able to find a suitable business model solution for the Company and a project with a high return and low risk. In view of this, in June 2022, Shanghai Dongkui, disposed (the "**Disposal**") of its entire interest in Anxin Wanbang for a consideration of RMB0.1 million (equivalent to approximately HK\$0.1 million), representing the prevailing market price of distressed assets management companies of similar size and nature at the time of the Disposal. The Board considers that the Disposal represents a good opportunity for the Group to enhance its cash flow within a short period of time and at the same time, to delineate the risks faced by the Company. The terms of the Disposal were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of Disposal are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## PROSPECTS

In 2022, the conflict between Russia and Ukraine continued and many major economies in the world were facing difficult situations. The impact on the global economy worsened as the US Federal Reserve fastened the pace of interest rate hikes. At the same time, the PRC continued to face a complex and critical situation brought by the local cases of COVID-19 caused by the divergent variants of COVID-19. In order to stabilize the economic growth, the PRC government has introduced various economic stabilization policies and put efforts in the restoration of a stable economy in the PRC. In terms of financial policy, the PRC adhered to the direction of maintaining stable growth and increased the support of the real economy and strived to resume the core competitiveness of its macroeconomy.

Looking ahead to 2023, the economic policy of the PRC will gradually focus on stability. As the impact of the COVID-19 pandemic is under control and with the promotion of relaxation measures and led by measures such as the easing of restrictions on real estate, we believe that the economy of the PRC will resume steady growth in 2023. The Group will prudently grasp the investment opportunities in the market and seek progress and development in a stable manner. The Group expects that it will achieve better business development with the full relaxation of the pandemic prevention and control measures and the continuation of the growth policy.

## Dongkui Business

In the coming year, Shanghai Dongkui will continue to invest its resources in factoring/refactoring business to reduce the operational risk and to cope with the complex and volatile economic environment in the future.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Compared with financial institutions such as banks and insurance institutions, commercial factoring companies can meet the small, high frequency and urgent financing needs of small and micro enterprises, which are difficult to cover by traditional financial institutions, and help alleviate the financing difficulties faced by small and medium-sized enterprises. It has developed into one of the important carriers of financial inclusion and received continuous support from the relevant policies.

On 15 August 2022, the Standing Committee of the Shanghai Municipal People's Congress issued "Certain Regulations on Green Financial Development in Shanghai Pudong New District", which supports the Shanghai Commercial Paper Exchange to provide technical support for the development of green notes, participate in the formulation of green notes standards, and explore the formulation of green standards for supply chain financing including notes financing, receivables financing and factoring financing. It also encourages financial institutions in Pudong New District to issue green notes through Shanghai Commercial Paper Exchange, taking the role of rendering targeted support for green notes re-discounting business, and to provide quality payment financing solutions to upstream and downstream enterprises in the green industry chain.

On 15 September 2022, the People's Government of Minhang District of Shanghai issued a circular entitled "Implementation Opinions on Supporting the Development of Modern Financial Industry and Promoting the Integration of Production and Finance in Minhang District", which explicitly proposed to encourage the healthy development of local financial organizations. Based on the annual supervisory ratings of local financial organizations such as small loan companies, finance leasing companies and commercial factoring companies, together with the scale of their main business, enterprises will be given corresponding support every year upon recognition.

In order to better serve the function of factoring services for small and medium-sized enterprises, Shanghai Dongkui will continue to leverage its business characteristics, actively seek investment opportunities, continuously extend its service areas and expand its revenue sources. At the same time, the Group will make full use of the customer credit data and payment clearing data accumulated in its own business system to select quality customers and continuously improve its risk prevention and control capabilities, and actively promote the integration of financial technology with factoring business to digitally empower management improvement and business development, and promote the digital and intelligent transformation and upgrade of the Group's factoring/refactoring business.

## Property Investment Holding

With the continued recurrence of the COVID-19 pandemic, people's income growth has dropped and lagged behind expectations, and their willingness to spend money has decreased, coupled with the restrictions on movement due to the pandemic lockdown, leading to a negative impact on traditional shopping malls. Besides, the rise of online shopping has also had a negative impact on physical shopping malls. To boost consumer confidence, the Chongqing municipal government has launched a number of measures with the aim of reviving consumption and stabilising economic growth to promote consumer sentiment. On 8 February 2022, the Office of the Chongqing Municipal People's Government issued the "Several Policies for Fostering and Building an International Consumer Centre City in Chongqing" ("**Several Policies**") to support business development. On 22 June 2022, the Chongqing Municipal People's Government issued the "Several Measures to Further Unleash Consumption Potential and Promote Sustainable Recovery of Consumption in Chongqing" to help the recovery of difficult industries such as food and beverage, retail, tourism, civil aviation, road and water and railway transportation. The continued strengthening of relevant policies is expected to enhance the potential for business development in Chongqing.

Dong Dong Mall, a property held by the Group, in addition to meeting people's shopping needs, also provides consumers with a full range of facility services for dining and entertainment, as well as a wide range of shops, including fashion boutiques, restaurants and lifestyle centres. In recent years, Dong Dong Mall has continued to expand its retail offerings by adding family entertainment and broaden its business with the inclusion of parent-child entertainment items and transform existing projects to cope with the challenges from e-commerce and abreast of modern developments.

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

On 12 August 2022, Chongqing city issued the “Chongqing Children’s Development Plan (2021-2030)” to further protect children’s rights of survival, development, protection and participation, and to improve the overall quality of children. On the same day, the Chongqing Municipal People’s Government issued the “Chongqing Women’s Development Plan (2021-2030)”, which proposes to improve the environment for women’s development. The improvement in the development environment for women and children is expected to boost fertility intentions in the medium to long term, which will in turn boost the maternity and parenting markets.

Dong Dong Mall has positioned itself as a children and parenting neighborhood centre with its layout, business solicitation, operation and promotion focusing on the children industry to attract customers and tenants. This year, due to the impact of the COVID-19 pandemic, Dong Dong Mall offered rent reductions to the tenants to tide over the tough times. Looking ahead to 2023, with the full relaxation of anti-COVID-19 control measures, residents will no longer be restricted on movement, and footfall in physical shopping malls is expected to gradually return to pre-COVID-19 levels. In addition, as economic and social activities return to normal, consumer confidence will be rebuilt and, against the backdrop of a long-term improvement in the parent-child market, profitability of the Dong Dong Mall is expected to return to its previous level of development.

## Sales of Flowers and Plants

On 19 July 2022, the Chongqing Municipal People’s Government issued the “Implementation Opinions on Promoting Green Development in Urban and Rural Construction”, which mentioned accelerating the creation of national forest cities, optimising the layout of green areas in the spatial planning of the country, continuously increasing the forest coverage rate, promoting the construction of green cities and creation of national eco-garden cities. The implementation of the relevant policies will give rise to the creation of national forest cities, and hence a huge demand for greenery and flowers, and Chongqing Baoxu, will likely to be benefited from the policy support.

Chongqing Baoxu has positioned itself as a supplier of landscape greening flowers and plants to small and medium-sized real estate developers in the PRC, aiming to provide quality landscape greening related flowers and supply flowers and plants to real estate projects at competitive prices. As the Chongqing city government continues to promote the green and low-carbon transformation of society and the construction of an eco-garden city, the Group’s business of sales of landscape greening flowers and plants has good prospects.

In the future, Chongqing Baoxu will continue to expand its business steadily according to the policy direction of Chongqing city, expand its sales channels to constantly expand the flower and plant market, achieve steady improvement in operating efficiency by strengthening value creation, and create greater value for customers and shareholders.

## Distressed Assets Management Business

In the coming year, despite the Disposal, the Company believes that the business outlook for distressed assets management business remains positive. The key success factor for the future development of the distressed assets management business lies in finding the right team of talents and designing a business model that suits the rules of listed companies to develop various types of distressed asset businesses. The Company is in the course of looking for a suitable team to design and optimise a business model that suits the management parameters and management characteristics of a listed company, and to find more, better and more suitable projects, which we believe can contribute to the future sustainable development of the Company.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

The Group had bank and cash balances of approximately HK\$147.3 million as at 31 December 2022 (2021: approximately HK\$40.2 million). The management believes that the Group has sufficient cash and cash equivalents to fund its operations and future development. As at 31 December 2022, the current ratio of the Group, representing current assets divided by current liabilities, was approximately 11.5 (2021: approximately 12.0).

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

As at 31 December 2022, the Group had no gearing ratio (2021: nil), which is calculated as net debt divided by total capital. Net debt is calculated as amounts due to related companies and lease liabilities less cash and cash equivalents. Total capital is calculated as “equity” as shown in the consolidated statement of financial position, plus net debt. As at 31 December 2022 and 2021, the Group’s gross debt had not exceeded cash and cash equivalents.

## Capital Structure

As at 31 December 2022, the Group had no current and non-current borrowings (2021: nil).

The Group did not use any derivative to hedge its exposure to interest rate risks for the years ended 31 December 2022 and 2021. The Group monitored its capital by maintaining a sufficient net cash position to satisfy its commitments and working capital requirements.

## Pledge of Assets

For the years ended 31 December 2022 and 2021, the Group had no pledged asset.

## Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in local currencies.

Currently, the Group does not use any derivative financial instrument to hedge its exposure to foreign exchange risks.

## Contingent Liabilities or Commitments

As at 31 December 2022 and 2021, the Group had no significant contingent liability nor did it incur any significant capital expenditure or enter into any significant commitment in respect of any capital expenditure.

## Dividends

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

## AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board (the “**Audit Committee**”) currently consists of three independent non-executive Directors, namely Mr. Chan Ying Kay (Chairman of the Committee), Mr. Leung Kin Hong and Mr. Wang Jin Ling. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and other financial reporting matters.

## SCOPE OF WORK OF BAKER TILLY HONG KONG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022, as set out in the annual results announcement for the year ended 31 December 2022 of the Company, have been agreed by the Group’s auditor, Baker Tilly Hong Kong Limited (“**Baker Tilly Hong Kong**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong on the announcement.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Lo Siu Yu (“Mr. Lo”)**, aged 53, was appointed as the Chairman and an executive Director of the Company in October 2009. Mr. Lo possesses over 10 years of experience in the sale of automobile accessories and properties investment. He is the founder and is currently the chairman and general manager of 重慶東銀控股集團有限公司 (for identification purpose, Chongqing Doyen Holdings Group Co., Ltd. (“**Chongqing Doyen**”)), a private company established with limited liability under the laws of the PRC. Mr. Lo and his spouse are the ultimate beneficial owners of Chongqing Doyen as at the date of this report. Chongqing Doyen is principally engaged in investment holding, and its subsidiaries are principally engaged in special vehicle manufacturing, machine manufacturing, property investment and development. As at the date of this report, Chongqing Doyen is beneficially interested in approximately 35.55% of the issued share capital of 重慶市迪馬實業股份有限公司 (for identification purpose, Dima Holdings Co., Ltd. (“**Chongqing Dima**”)), a company listed on the Shanghai Stock Exchange of the PRC, and approximately 25.65% of the issued share capital of 江蘇農華智慧科技股份有限公司 (for identification purpose, Jiangsu Nonghua Intelligent Agriculture Technology Co. Ltd. (“**Jiangsu Nonghua**”)), a company listed on the Shenzhen Stock Exchange of the PRC. Mr. Lo holds a degree of Economics from 重慶工商大學 (for identification purpose, Chongqing Technology and Business University) (formerly known as 渝州大學 (for identification purpose, Yuzhou University)) in Chongqing City, the PRC.

**Mr. Tai Xing (“Mr. Tai”)**, aged 49, was appointed as an executive Director and the Chief Executive Officer (“**CEO**”) of the Company in October 2017. Mr. Tai obtained a bachelor’s degree in economics from Chongqing Technology and Business University. He obtained qualification of a trading representative of 海南中商期貨交易所 (for identification purpose, China-Commodity Future Exchange, Inc. of Hainan) in 1996, and has been a registered management consultant authorised by the People’s Government of Sichuan since 2001. Mr. Tai has 23 years’ experience in the field of finance and corporate management in the PRC. He joined Chongqing Doyen in 2003 and had been appointed as supervisor, vice supervisor and general manager in various subsidiaries of Chongqing Doyen. Mr. Tai had resigned as employee of a connected company controlled by Mr. Lo and his spouse from December 2019. He was the vice general manager of 上海東勝股權投資有限公司 (for identification purpose, Shanghai Dongsheng Equity Investment Company Ltd. (“**Shanghai Dongsheng**”)), a subsidiary of Chongqing Doyen. In December 2019, Mr. Tai had resigned as the vice general manager of Shanghai Dongsheng.

**Mr. Cho Chun Wai (“Mr. Cho”)**, aged 46, was appointed as the financial controller of the Company in August 2012, the company secretary in February 2015 and an executive Director in September 2016. Mr. Cho was appointed as Director of Shanghai Dongkui in December 2016. He holds a master degree of corporate finance and a bachelor degree of accountancy awarded from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in financial management for listed companies.

## NON-EXECUTIVE DIRECTORS

**Mr. Pan Chuan (“Mr. Pan”)**, aged 44, was appointed as a non-executive Director in November 2018. Mr. Pan, graduated from 四川外國語大學 (for identification purpose, Sichuan International Studies University) in the PRC in 1998 with a major in English language. Mr. Pan has more than 10 years of managerial experience in the PRC, including working in 重慶海德大酒店 (for identification purpose, Chongqing Hoitak Hotel) and Chongqing Dima. Mr. Pan joined Chongqing Doyen in 2009 as the office supervisor. He had been appointed as a supervisor of Chongqing Dima since 2010.

**Ms. Sun Lin (“Ms. Sun”)**, aged 49, was appointed as a non-executive Director in 4 July 2022. Ms. Sun, graduated from 中國人民解放軍重慶通信學院 (for identification purpose, Chongqing Communication Institute) and obtained her bachelor’s degree in electronic audio and video profession in 1997. In 2015, Ms. Sun was awarded the certificate of higher human resources management issued by 人力資源部和社會保障局 (for identification purpose, Ministry of Human Resources and the Social Security Bureau). Prior to joining the Group, Ms. Sun had worked for the Chinese People’s Pictorial as editing reporter during the period from 1997 to 2000; Chongqing Dima as head of marketing department during the period from 2000 to 2003; 重慶嘉發房地產公司 (for identification purpose, Chongqing Jiafa Real Estate Company) as head of planning department and assistant to the chairman during the period from 2003 to 2009; and 重慶河東集團 (for identification purpose, Chongqing Hedong Group) as human and administrative director during the period from 2009 to 2015. Ms. Sun has been the assistant to the chairman of Chongqing Doyen, a company beneficially owned by Mr. Lo and his wife, since July 2015.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Ying Kay (“Mr. Chan”)**, aged 59, was appointed as an independent non-executive Director of the Company in October 2009. In January 2020, Mr. Chan had been appointed as a financial controller of a Hong Kong company. In April 2019, Mr. Chan had been appointed as the company secretary and the chief financial officer of Zhuoxin International Holdings Limited (“**Zhuoxin**”), a company listed on the GEM (“**GEM**”) of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). In June 2019, Mr. Chan had resigned as the company secretary and the chief financial officer of Zhuoxin. In October 2017, Mr. Chan had been appointed as the company secretary and the chief financial officer of Beautiful China Holdings Company Limited (“**Beautiful China**”), a company listed on the main board of the Stock Exchange. In July 2018, Mr. Chan had resigned as the chief financial officer of Beautiful China. In October 2018, Mr. Chan had resigned as the company secretary of Beautiful China. In July 2016, Mr. Chan had been appointed as an independent non-executive director of China Oil Gangran Energy Group Holdings Limited (“**China Oil Gangran**”), a company listed on the GEM of the Stock Exchange. In August 2018, Mr. Chan had resigned as an independent non-executive director of China Oil Gangran. Mr. Chan has over 30 years of experience in accounting and finance. Mr. Chan graduated from the University of Sheffield with a master of business administration, and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

**Mr. Leung Kin Hong (“Mr. Leung”)**, aged 52, was appointed as an independent non-executive Director of the Company in July 2019. He obtained his master degree of finance in 2002 from the Curtin University of Technology. He has been an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since 1998. He has been the Group Financial Controller of Shanghai Industrial Urban Development Group Limited, a company listed on the main board of the Stock Exchange (stock code: 563), where his duties include overseeing the finance activities, business planning and corporate finance since November 2012. Prior to that, Mr. Leung had worked in an international professional accounting firm and several listed companies in Hong Kong to gain his extensive experience in financial and general management.

**Mr. Wang Jin Ling (“Mr. Wang”)**, aged 84, was appointed as an independent non-executive Director of the Company in October 2009. Mr. Wang was qualified as a senior engineer by 煤炭工業部 (for identification purpose, The Ministry of Coal Industry) of the PRC in 1995, and was appointed as the chief engineer at 義馬礦務局 (for identification purpose, Yima Mining Bureau) of the 中國統配煤礦總公司 (for identification purpose, China National Coal Corporation) in Henan Province, the PRC in 1991. Mr. Wang was invited to act as the technical consultant of 永煤集團股份公司 (for identification purpose, Yongmei Group Company Ltd.) in 2000.

# REPORT OF THE DIRECTORS

The Board presents the annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

## **PRINCIPAL ACTIVITIES**

The Company is principally engaged in investment holding. Its subsidiaries are principally engaged in holding property investment and rental business, and sales of flowers, seedlings and plants in the PRC, provision of loan financing to customers in the PRC and distressed assets management.

## **PRINCIPAL SUBSIDIARIES**

Details of the Company's principal subsidiaries as at 31 December 2022 are set out in note 39 to the consolidated financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 79.

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

## **RESERVES**

Movements in the reserves of the Group and of the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 82 and note 38(b) to the consolidated financial statements respectively.

## **DISTRIBUTABLE RESERVES**

The Company had no distributable reserves as at 31 December 2022 and 2021.

## **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 32(a) to the consolidated financial statements.

## **PRE-EMPTIVE RIGHTS**

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

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

## **INVESTMENT PROPERTY**

Details of the movements in investment property of the Group are set out in note 20 to the consolidated financial statements.

## **BORROWINGS**

As at 31 December 2022, the Group had no current and non-current borrowing (2021: nil).

## **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on page 142 of this report.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares for the year ended 31 December 2022.



# REPORT OF THE DIRECTORS

## DIRECTORS

The Directors of the Company as at the date of this report and those who were in office during the year are:

### Executive Directors

Mr. Lo Siu Yu, *Chairman*

Mr. Tai Xing, *CEO*

Mr. Cho Chun Wai

### Non-executive Directors

Ms. Sun Lin (appointed on 4 July 2022)

Ms. Luo Shaoying, *Vice Chairman* (resigned on 4 July 2022)

Mr. Pan Chuan

### Independent non-executive Directors

Mr. Chan Ying Kay

Mr. Leung Kin Hong

Mr. Wang Jin Ling

In accordance with Articles 90 to 92 of the Articles of Association of the Company (the "**Articles of Association**"), Mr. Tai, Mr. Cho, Ms. Sun and Mr. Wang will retire at the forthcoming Annual General Meeting (the "**AGM**") but, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

An executive Director has entered into service contract with the Company on 15 October 2009. An executive Director has entered into a service contract with the Company on 29 September 2016. An executive Director has entered into a service contract with the Company on 17 October 2017. Such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letter entered into between the Company and Ms. Sun (on 4 July 2022), Ms. Luo (re-designated from an executive Director on 29 January 2018) (resigned on 4 July 2022) and Mr. Pan (on 12 November 2018), all being the non-executive Directors of the Company is without fixed terms of office, and such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letters entered into between the Company and Mr. Chan, Mr. Wang (both on 13 October 2022) and Mr. Leung (on 5 July 2022), all being the independent non-executive Directors of the Company, are for a fixed term of one year, and renewable annually upon expiry, unless and until terminated by either party by a prior written notice.

Save as disclosed above, no Director of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS OF SUBSIDIARIES

A list of names of all the Directors who have served on the Board of the Company's subsidiaries during the year and up to the date of this report is available on the Company's website at <http://www.doyenintl.com>.

## INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of ("**Listing Rules**"). The Company considers they are independent.

# REPORT OF THE DIRECTORS

## DIRECTORS' REMUNERATIONS

A summary of the Directors' remuneration is set out in note 16 to the consolidated financial statements.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

### 1. Cleaning service contract and property management service contract

In December 2016, Chongqing Baoxu entered into a property management service contract with 重慶新東原物業管理有限公司 (for identification purpose, Chongqing New Dowell Property Management Ltd. ("**Dowell Property Management**")) for daily management of Dong Dong Mall from 1 January 2017 to 31 December 2022.

During the year ended 31 December 2022, property management fees of approximately HK\$0.1 million (2021: approximately HK\$0.1 million) was paid to Dowell Property Management.

Save as disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2022, the following Directors of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange:

Long positions of the Directors' interests in the shares and underlying shares of the Company:

Name of director	Capacity	Corporate interest	Personal interest	Interests in underlying share pursuant to share options	Total number of shares interested	Approximate percentage of the Company's issued shares
Mr. Lo Siu Yu	Interest of controlled corporation and beneficial owner	760,373,018 (note a)	25,000,000 (note b)	-	785,373,018	61.64%
Mr. Cho Chun Wai	Beneficial owner	-	10,000	-	10,000	0.00%

Notes:

- 670,373,018 shares were held by Money Success Limited ("**Money Success**"), a company wholly-owned by Wealthy In Investments Limited ("**Wealthy In**"), which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult Asia Limited ("**Sino Consult**") and 30,000,000 shares were held by Full Brilliant Limited ("**Full Brilliant**"), both are companies wholly-owned by Money Success.
- Such interests are held jointly with Ms. Chiu Kit Hung ("**Ms. Chiu**"), the spouse of Mr. Lo.

# REPORT OF THE DIRECTORS

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION (CONTINUED)**

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## **SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY**

The share option scheme and the share options were expired on 1 December 2020. As at 31 December 2022, the Group had no share option and no new share option scheme was adopted.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 31 December 2022, according to the register of interests in shares in the Company and short positions of the Company required to be kept by the Company under section 336 of the SFO, the following persons or corporations, other than Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares which would fall to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (CONTINUED)

Long positions of substantial shareholders' interests in the shares of the Company:

Name of substantial shareholder	Capacity	Number of shares interested	Approximate percentage of the Company's issued shares
Galaxy Bond Holdings Limited	Person having a security interest in shares (Note a)	785,373,018	61.64%
Mr. Xue Yuewu	Interest of controlled corporation (Note b)	785,373,018	61.64%
Chongqing Mingna Trading Co., Ltd.	Person having a security interest in shares (Note c)	785,373,018	61.64%
Mr. Lin Xuegang	Interest of controlled corporation (Note d)	785,373,018	61.64%
Ms. Chen Aini	Interest of spouse (Note e)	785,373,018	61.64%
Ms. Chiu Kit Hung	Interest of spouse (Note f)	785,373,018	61.64%
Wealthy In Investments Limited	Interest of controlled corporation (Note g)	760,373,018	59.68%
Money Success Limited	Beneficial owner (Note h)	670,373,018	52.62%
	Interest of controlled corporation	90,000,000	7.06%
Jiangsu Huaxi Group Co. Ltd.	Interest of controlled corporation (Note i)	140,000,000	10.99%
Baoli International (Hong Kong) Trading Co., Limited	Beneficial owner (Note i)	140,000,000	10.99%
Hong Kong Jin Hua Jun Chang Industrial Limited	Beneficial owner (Note j)	70,000,000	5.49%
Mr. You Tao	Interest of controlled corporation (Note j)	70,000,000	5.49%

### Notes:

- Galaxy Bond Holdings Limited ("**Galaxy Bond**") is a company incorporated in BVI with limited liability 100% of the shareholdings of Galaxy Bond was owned by Mr. Xue Yuewu ("**Mr. Xue**").
- 100% of the shareholdings of Galaxy Bond was owned by Mr. Xue.
- Chongqing Mingna Trading Co., Ltd. ("**Chongqing Mingna**") is a company established with limited liability under the PRC. 90% and 10% of the shareholdings of Chongqing Mingna were owned by Mr. Lin Xuegang ("**Mr. Lin**") and Ms. Chen Aini ("**Ms. Chen**") respectively.
- 90% of the shareholdings of Chongqing Mingna were owned by Mr. Lin.
- Ms. Chen is the spouse of Mr. Lin. 10% of the shareholdings of Chongqing Mingna were owned by Ms. Chen.
- Ms. Chiu is the spouse of Mr. Lo, who is the Chairman and an executive Director of the Company.
- Wealthy In is a company wholly-owned by Mr. Lo.
- 670,373,018 shares were held by Money Success, a company wholly-owned by Wealthy In, which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult and 30,000,000 shares were held by Full Brilliant, both are companies wholly-owned by Money Success.
- Jiangsu Huaxi Group Co. Ltd. ("**Jiangsu Huaxi Group**") is a company established with limited liability under the laws of the PRC. Jiangsu Huaxi Group held 75% equity interest of Jiangyin Huaxi Steel Co., Ltd. ("**Jiangyin Huaxi Steel**"), which in turn wholly-owned Baoli International (Hong Kong) Trading Co., Limited ("**Baoli**"). Baoli is a company incorporated in Hong Kong with limited liability.
- Hong Kong Jin Hua Jun Chang Industrial Limited is a company established in Hong Kong and wholly-owned by Mr. You Tao.

# REPORT OF THE DIRECTORS

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (CONTINUED)**

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any persons or corporations (other than Directors or chief executives of the Company) who had an interest directly or indirectly and/or short position in the shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of SFO.

## **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 ended 31 December 2022.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the best knowledge of the Board, there was 25% or more of the listed issued share capital of the Company being held in public hands as at the latest practicable date prior to printing of this report.

## **PERMITTED INDEMNITY PROVISION**

The Articles of Association provide that subject to the provisions of the Companies Ordinance every Director shall be indemnified out of the assets of the Company against all liabilities incurred by him/her as a Director in defending any proceedings. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the directors and officers of the Group.

## **COMPETING INTERESTS**

Save as the interests of Mr. Lo, being an executive Director and the Chairman of the Company, and certain of his associates (including his spouse) in property investment business which may likely compete, either directly or indirectly with the business of the Group, none of the Directors or the chief executive of the Company and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2022 that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year ended 31 December 2022, our five largest customers accounted for approximately 59.88% (2021: approximately 69.10%) of the Group's total revenue and our largest customer accounted for approximately 36.37% (2021: approximately 49.86%) of our total revenue. Due to the nature of our business, we do not have any significant contribution from major suppliers during the normal course of our business. However, we relied substantially on interest-bearing borrowings to operate our business. To the knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the shareholders who own more than 5% of the Company's issued shares has any interest in any of the Group's five largest customers or suppliers or lenders.

# REPORT OF THE DIRECTORS

## THE FIVE LARGEST BORROWERS IN TERMS OF LOAN RECEIVABLES

The amount and percentages of the Group's five largest borrowers in terms of loan receivables are as follows:

### 2022

Rankings	Name of company	2022	
		HK\$'000	Percentage
1	Chongqing Baicui	60,478	11.63%
2	Chongqing Maotong	60,369	11.61%
3	Chongqing Pumei	60,253	11.59%
4	Shanghai Hongxuan	59,996	11.54%
5	Pun Yu	56,931	10.95%
		<b>298,027</b>	

As at 31 December 2022, the Group's total loan receivables amounted to approximately HK\$520.1 million (2021: approximately HK\$657.7 million) and the largest borrower, being Chongqing Baicui, accounted for approximately 11.63% (2021: approximately 11.29%) of the total loan receivables.

## CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group had the following connected transactions:

1. Connected transactions fully exempted from shareholders' approval, annual review and all disclosure requirements

### *Cleaning service contract and property management service contract*

In December 2016, Chongqing Baoxu entered into a property management service contract with Dowell Property Management for daily management of Dong Dong Mall from 1 January 2017 to 31 December 2022.

During the year ended 31 December 2022, property management fees of approximately HK\$0.1 million (2021: approximately HK\$0.1 million) was paid to Dowell Property Management.

The above connected transactions are also related party transactions of the Group. Save as disclosed above, none of other related party transactions constitute as non-exempt connected transactions or non-exempt continuing connected transactions of the Group in accordance with the Listing Rules during the year ended 31 December 2022.



# REPORT OF THE DIRECTORS

## **RELATED PARTY TRANSACTIONS**

The related party transactions during the year ended 31 December 2022 are being disclosed in note 36 to the consolidated financial statements.

## **AUDITOR**

Baker Tilly Hong Kong will retire and, being eligible, offer themselves for re-appointment. The Company will propose a resolution re-appointing Baker Tilly Hong Kong at the AGM.

By Order of the Board

**Tai Xing**

*CEO*

Hong Kong, 22 March 2023

# CORPORATE GOVERNANCE REPORT

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to enhance shareholders' value and safeguard shareholders' interests. The Directors are of the opinion that the Company has complied with the code provisions as set out in the CG Code in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

## **CORPORATE CULTURE**

The Group recognizes that a good corporate culture is vital to its corporate governance and has gradually developed a pragmatic and prudent corporate culture since its establishment, which has been reflected in the overall operations and management of the Group, in order to facilitate the long-term sustainability of the Group. The Group attaches great importance to create an honest corporate environment of integrity and is committed to preventing corruption in any form and adheres to the zero-tolerance policy for the aforementioned behavior. In order to establish a healthy corporate culture and promote high ethical standards within the Group, the Group has established an anti-corruption and whistle-blowing policy, which set outs, including but not limited to, (i) the types of breaches and conduct issues, and the personnel to which the policies apply; (ii) responsibilities of the relevant departments; (iii) consequences for breaching the relevant policies; and (iv) whistle-blowing incentives, with an aim to establish standardized principles that must be followed in daily operations and prevent any possible management risks which may arise from corruption, and to promote an anti-corruption culture, and help detect and deter misconduct or malpractice in the Group respectively, so as to facilitate the establishment of a good image of the Group and strengthen the sense of recognition and trust of all stakeholders of the Group.

## **THE BOARD**

The Board currently comprises 3 executive Directors, including the Chairman and chief executive officer, 2 non-executive Directors, and 3 independent non-executive Directors.

The Board is collectively accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, formulating strategic directions, setting objectives and business development plans, and monitoring the performance of both the financial results and the senior management. The Board takes responsibility to oversee internal controls and risk management systems and review of the effectiveness of such systems, and determining the policy for corporate governance.



# CORPORATE GOVERNANCE REPORT

## BOARD INDEPENDENCE

The Board has also adopted a policy to ensure independent views are in place to safeguard the ability of an independent non-executive Director to: (i) scrutinise the Board's major decisions and the Company's performance; (ii) make independent judgements free from the influence of any interests; and (iii) initiate independent studies of special issues, through engaging external advisers. This confers greater transparency and in turn Shareholders' confidence in decision(s) made by the Board. The Company will conduct a regular review on the implementation and effectiveness of such policy annually. Upon making request to the Board, each Director is able to seek independent professional advice at the Company's expenses, when necessary.

Pursuant to code provision E.1.9 of the CG Code, the Company generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence. The independent non-executive Directors were not granted equity-based remuneration up to the date of this annual report.

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the independent non-executive Directors has confirmed in his annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

Despite the fact that each of Mr. Chan Ying Kay and Mr. Wang Jin Ling has served as an independent non-executive Director for more than nine years, (i) the Board considers that each of Mr. Chan and Mr. Wang has remained independent as each of them has satisfied all the criteria for independence set out in Rule 3.13 of the Listing Rules and affirmed that each of Mr. Chan and Mr. Wang remains independent; (ii) the Nomination Committee (as defined below) has assessed and is satisfied of the independence of each of Mr. Chan and Mr. Wang; (iii) the Board considers that each of Mr. Chan and Mr. Wang has made positive contributions to the Company's strategies and policies by providing independent advice from their areas of expertise during their tenure as independent non-executive Directors; and (iv) the Board also considers that each of Mr. Chan and Mr. Wang remains independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. In view of the above factors and the experience and knowledge of each of Mr. Chan and Mr. Wang in the business segments in which the Company operates, the Board considers that the re-appointment of each of Mr. Chan and Mr. Wang as independent non-executive Directors will continue to bring wide range of valuable and professional insights to the Board. So far as the Board is aware of, there is no circumstance suggesting that each of Mr. Chan and Mr. Wang's service with the Company for more than nine years will impair their independence.

All Directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience required for the running of an effective board. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operation of its businesses to its executive Directors and senior management. Biographical details and responsibilities of each Board member and senior management are set out in pages 29 to 30 of this report. Mr. Pan and Ms. Sun are employees of a related company that was controlled by Mr. Lo and his spouse. Ms. Luo is a sister of Mr. Lo and she was an employee of a related company that was controlled by Mr. Lo and his spouse during the period when she held the position as the non-executive Director. Save as disclosed above, there is no other relationship (including financial, business, family or other material relationship) among members of the Board and substantial shareholders.

# CORPORATE GOVERNANCE REPORT

## DIRECTOR'S ATTENDANCE RECORDS

Regular Board meetings are held at approximately quarterly intervals and involve the active participation of Directors, either in person or through other electronic means of communications. The attendance record of each Director at the Board meetings and general meetings of the Company during the year under review is set out below:

	Number of Board meetings Directors attended/eligible to attend	AGM
<b>Executive Directors</b>		
Mr. Lo Siu Yu, <i>Chairman</i>	18/18	1/1
Mr. Tai Xing, <i>CEO</i>	18/18	1/1
Mr. Cho Chun Wai	18/18	1/1
<b>Non-executive Directors</b>		
Ms. Luo Shaoying, <i>Vice Chairman</i> (resigned on 4 July 2022)	3/18	0/1
Ms. Sun Lin (appointed on 4 July 2022)	15/18	N/A
Mr. Pan Chuan	18/18	0/1
<b>Independent non-executive Directors</b>		
Mr. Chan Ying Kay	18/18	1/1
Mr. Leung Kin Hong	18/18	1/1
Mr. Wang Jin Ling	18/18	0/1

To supplement the formal Board meetings, the Chairman held regular meetings with Director(s) to consider issues in both formal and informal settings.

## BOARD DIVERSITY POLICY

The Board has adopted the board diversity policy (the “**Board Diversity Policy**”) and revised the terms of reference for the nomination committee of the Company (the “**Nomination Committee**”). In order to achieve a diversity of perspectives amongst the structure, size and composition of the Board, when making the recommendation to the Company for appointment or re-appointment of Directors and succession planning of Directors, the Nomination Committee will take into account a number of factors including but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge, and length of service. The measurable objectives of diversity are subject to review from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Board believes that gender diversity is a representing manifestation of board diversity, among all other measurable objectives. Under the Board Diversity Policy, the Company sets the target of appointing at least one director of different gender at any given time in order to achieve a female representation in the Board. The Board will review the progress of the Board Diversity Policy to ensure its effectiveness annually.

Expertise and skills of the Directors include economics, finance and property development, etc.. The Nomination and Remuneration Committee considers that the Board is sufficiently diversified.

# CORPORATE GOVERNANCE REPORT



## DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and officers arising out of corporate activities of the Group.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the CEO are separated, with a clear segregation of duties. The Chairman is responsible for formulating corporate strategies and overall business development planning. The CEO's duty is to oversee the execution of daily operation of the business activities. The segregation of duties is to ensure a balance of power and authority.

## MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under Code Provision C.2.7, the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. There was one meeting held between the Chairman of the Company and the independent non-executive Directors, without the presence of the executive Directors for the year ended 31 December 2022.

## RESPONSIBILITIES OF DIRECTORS

Each Director shall from time to time have knowledge of his/her responsibilities as Director, as well as the operations, business activities and development of the Company and shall ensure that sufficient time and effort will be put to deal with the Company's affairs. The Company offers induction materials to each Director on the first occasion of his/her appointment as well as necessary information and training during his/her term of appointment to ensure that he/she has appropriate knowledge of the Company's operations and business as well as the responsibility of director under applicable laws.

## COMPANY SECRETARY

The Company has appointed Mr. Cho as the company secretary of the Company (the "Company Secretary") since February 2015. During the year under review, Mr. Cho received not less than 15 hours of relevant professional training. Biographical details of Mr. Cho are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## TRAINING AND SUPPORT FOR DIRECTORS

### (A) Training

Pursuant to the CG Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2022, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to Code Provision C.1.4 and time involved in public companies or organizations and description of other significant commitments pursuant to Code Provision C.1.5.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Directors participated in the following trainings:

	<b>Attendance<sup>1</sup></b>
<b>Executive Directors</b>	
Mr. Lo Siu Yu	✓
Mr. Tai Xing	✓
Mr. Cho Chun Wai	✓
<b>Non-executive Directors</b>	
Ms. Luo Shaoying (resigned on 4 July 2022)	✓
Ms. Sun Lin (appointed on 4 July 2022)	✓
Mr. Pan Chuan	✓
<b>Independent non-executive Directors</b>	
Mr. Chan Ying Kay	✓
Mr. Leung Kin Hong	✓
Mr. Wang Jin Ling	✓

Note:

1. Trainings may include
  - (a) seminar(s)/programme(s)/conference(s)/forums relevant to the business or directors' duties; and/or
  - (b) reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.; and/or
  - (c) Company's site visiting.

All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

## **(B) Support**

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes, such as sending the latest version of "A Guide on Directors' Duties" published by the Hong Kong Companies Registry and guidelines published by The Hong Kong Institute of Directors, are issued to Directors and senior management of the Company where appropriate to ensure awareness of best corporate governance practices.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the Directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Guidelines for Securities Transactions by Relevant Employees for the year ended 31 December 2022.

In addition, no incident of non-compliance of the Model Code and Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the year ended 31 December 2022.

# CORPORATE GOVERNANCE REPORT

## **NOMINATION COMMITTEE**

The Company established the Nomination Committee with written terms of reference on 4 November 2009. The Nomination Committee comprises the Chairman, Mr. Lo and two independent non-executive Directors, Mr. Chan and Mr. Leung.

The principal duties of the Nomination Committee include:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship;
- (c) to assess the independence of the independent non-executive Directors; and
- (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and CEO.

In conjunction with the Board Diversity Policy, the Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Nomination Committee was revised and approved by the Board on 20 March 2012.

During the year ended 31 December 2022, one Nomination Committee meeting was held. All members of the Nomination Committee are attended.

In accordance with the Articles of Association, each of Mr. Tai, Mr. Cho, Ms. Sun and Mr. Wang shall retire, and being eligible, offer themselves for re-election at the forthcoming AGM.

A circular containing detailed information of the Directors of the Company standing for re-election at the forthcoming AGM would be sent to the shareholders.

## **TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS**

According to the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation at each AGM of the Company provided that every Director shall be subject to retirement by rotation at least once every 3 years. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the existing Board should hold office only until the next following AGM and would then be eligible for re-election at that meeting. The existing independent non-executive Directors of the Company have fixed term of office but their termination are determinable by either party with a written notice in advance, as well as subject to the aforesaid retirement from office on a rotational basis.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Audit Committee has been established since 1999 with written terms of reference pursuant to all the duties set out in Code Provision D.3.3 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors of the Company, namely Mr. Chan (Committee Chairman), Mr. Leung and Mr. Wang. Mr. Chan possesses extensive experience in accounting and financial matters and meets the requirements of Rule 3.21 of the Listing Rules.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the financial reporting process and internal control system of the Group.

During the year ended 31 December 2022, the Audit Committee held two meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, risk management, internal controls system and financial reporting matters. It also reviewed the consolidated financial statements of the Group and the Company's annual and interim reports.

The individual attendance of each committee member is set out below:

	<b>Number of meetings Directors attended/ eligible to attend</b>
<b>Independent non-executive Directors</b>	
Mr. Chan Ying Kay, <i>Committee Chairman</i>	2/2
Mr. Leung Kin Hong	2/2
Mr. Wang Jin Ling	2/2

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Audit Committee was revised and approved by the Board on 6 December 2016.

## REMUNERATION COMMITTEE

The Remuneration Committee (the "**Remuneration Committee**") was established in October 2007 with written terms of reference pursuant to all the duties set out in Code Provision E.1.1 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors, namely Mr. Leung (Committee Chairman), Mr. Chan and Mr. Wang.

The Remuneration Committee is accountable to the Board and its principal duties include review and determination of the Board policy for the remuneration of executive Directors and senior management and make recommendation to the Chairman and the executive members of the Board of Directors' remuneration.

During the year ended 31 December 2022, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the framework of remuneration policy, considered discretionary bonus to staff, remuneration packages of executives and provided the guideline of annual salary review.

# CORPORATE GOVERNANCE REPORT

The individual attendance of each committee member is set out below:

	<b>Number of meetings Directors attended/ eligible to attend</b>
<b>Independent non-executive Directors</b>	
Mr. Leung Kin Hong, <i>Committee Chairman</i>	2/2
Mr. Chan Ying Kay	2/2
Mr. Wang Jin Ling	2/2

In compliance with the amendments to the Listing Rules which was effective on 1 January 2023, the terms of reference of the Remuneration Committee was revised and approved by the Board on 4 January 2023.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility to prepare consolidated financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flows for each financial periods. The statement of the Group's auditor about their reporting responsibilities on financial statements is set out in the Independent Auditor's Report on pages 73 to 78.

## **AUDITOR'S REMUNERATION**

During the year ended 31 December 2022, the remuneration for the Company's auditor, Baker Tilly Hong Kong, for services rendered is as follows:

	HK\$'000
Audit fee	1,700

## **RISK MANAGEMENT AND INTERNAL CONTROLS**

The Board has overall responsibilities for maintaining sound and effective risk management and internal control systems of the Group. The systems play an important role in maintaining and improving accountability and transparency in the conduct of the Group's business and are designed for the Group to identify and manage the significant risks including environmental, social and governance (ESG) risks to achieve its business objectives, safeguard the interests of the Company's shareholders, ensure compliance with relevant laws and regulations and assists in enhancing investor's confidence. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material risk issues or loss.

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against all risk issues. A bottom-up approach is applied for identification, assessment and mitigation of risk at all business unit levels and across all functional areas. The Company established an internal audit function to perform annual financial review and risk management and assessment on internal control systems. The Board and the Audit Committee are responsible to review and monitor the effectiveness of the risk management and internal control systems. These systems are reviewed on a regular basis for the controls of handling and dissemination of information. Reasonable measures are taken from time to time to ensure adequate disclosure policy has been adopted.

# CORPORATE GOVERNANCE REPORT

In relation to the Loan Financing Segment, taking into account that (i) the Group has an established operational workflow to the Group's loan financing and factoring/refactoring transactions, in particular, the comprehensive due diligence performed against the relevant customers (including the potential lessees (i.e. the borrowers) in the loan financing agreements; and the customers and the ultimate debtor in the factoring/refactoring agreements as mentioned above); (ii) the business model of the Group regarding its operation in the Loan Financing Segment and the choice of customers have always been focusing on projects with reliable ratings, sufficient security and controllable risks, the credit risk or the rates of default had been relatively low; and (iii) additional impairment loss was made in respect of default of a certain loan, while all other impairment loss merely reflected changes in macro-economic environment and the financial conditions of the counterparties, which were beyond the control of the Group, the Directors consider the existing internal procedures of loan approval were sound and effective.

## **PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS**

During the process of risk assessment, the Board is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities.

During the year, the Board has reviewed the effectiveness of the risk management and internal control systems through the Board. The Board considered the risk management and internal control systems effective and adequate in all material aspects in both design and operations, and no material internal control deficiencies were identified by the Board for the year ended 31 December 2022.

## **DIVIDEND POLICY**

The Board has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which, the Board shall consider the following factors before declaring or recommending any dividends:

1. The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the Articles of Association.
2. The Company may by ordinary resolution declare dividends according to the respective rights of the shareholders, but no dividend shall exceed the amount recommended by the Board and be payable except out of the profits of the Company.
3. The Board may also pay to the shareholders interim dividends and declare special dividends from time to time as appear to the Board to be justified by the position of the Company.
4. The dividends may be paid up in the form of the Company's shares in addition to cash, by the distribution of specific assets of any kind or by distribution of any form.
5. Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

The Board will review the Dividend Policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy. There can be no assurance that dividends will be paid in any particular amount for any given period.



# CORPORATE GOVERNANCE REPORT

## SHAREHOLDER RIGHTS

The Company has only one class of shares, all shares have the same voting rights and are entitled to the dividends declared. The Articles of Association set out the rights of our shareholders.

### Procedures for the Shareholders to convene an extraordinary general meeting

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene a general meeting pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The objects of the meeting must be stated in the related requisition deposited at the registered office of the Company.

### Procedures for the Shareholders to put forward proposals at general meeting

For including a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Shareholders may put forward proposals at general meeting by sending written notice of their proposals to the Company Secretary. The contact details of the Company are as follows:

Doyen International Holdings Limited

Address: Suite 2206, 22/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong

Tel: 852 2596 0668

Fax: 852 2511 0318

E-mail: [enquiry@doyenintl.com](mailto:enquiry@doyenintl.com)

Attn: The Company Secretary

### Procedures for the Shareholders to propose a person for election as a director

Pursuant to Article 75 of the Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should deposit a written notice of nomination which shall be given to the company secretary within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the shareholders not less than ten (10) business days prior to the general meeting.

### Shareholders' right to receive corporate information

Shareholders have the right to receive corporate communication issued by the Company in hard copies or through electronic means.

Shareholders whose shares held in the Central Clearing and Settlement System (CCASS) may notify us from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive our corporate communications.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' COMMUNICATION POLICY

The Company understands that maintaining close and effective communication with its Shareholders is an integral part of its sustainable corporate development. Therefore, the Group has proactively adopted initiatives to enhance close communication with its Shareholders by collecting opinions and understanding the expectations of its Shareholders via various channels, thereby facilitating the establishment of the Company's corporate operational policies and enhancing its corporate values. Meanwhile, the Company will also conduct regular review on the effectiveness of its Shareholders' communication policy annually, and revise the Shareholders' communication policy based on the results of the review.

In order to ensure a smooth, timely and effective communication between the Company and its Shareholders, Shareholders and other stakeholders may send their enquiries and raise questions to the Board at any time in writing by addressing to the Company Secretary. The Company Secretary will then forward (i) communication relating to matters within the Board's purview to the Directors; (ii) communication relating to matters within a Board committee's terms of reference to the chairman of the relevant committee; and (iii) communications relating to ordinary business of the Group matters, such as suggestions, inquiries and consumer complaints, to the appropriate executives of the Group.

The contact details of the Company are as follows:

Doyen International Holdings Limited

Address: Suite 2206, 22/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong

Tel: 852 2596 0668

Fax: 852 2511 0318

E-mail: [enquiry@doyenintl.com](mailto:enquiry@doyenintl.com)

Attn: The Company Secretary

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. Shareholders' information may be disclosed as required by law. The Company will not normally deal with verbal or anonymous enquiries.

The Board considered the Shareholders' Communication Policy effective and adequate in all material aspects in both design and operations.

## CONSTITUTIONAL DOCUMENTS

During the year 2022, the Company has not made any amendment to its Articles of Association. The Company's Articles of Association is available on the websites of the Company and the Stock Exchange.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THIS REPORT

The Group is pleased to present this Environmental, Social and Governance Report (the “**Report**”) to provide a comprehensive report on the Group’s environmental, social and governance (“**ESG**”) policies, initiatives and performance for the period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**”), to enhance stakeholders’ understanding of and confidence in the Group’s sustainability efforts, and to respond to the expectations and needs of all parties.

### 1.1. Basis of preparation and reporting principles

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) published by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), and based on the four reporting principles set out in the ESG Guide: materiality, quantitative, balance and consistency. In addition, the Group adheres strictly to the mandatory disclosure requirements and the “comply or explain” provisions in an effort to fully reflect the Group’s approach, strategy, relevance and objectives in relation to ESG.

In the preparation of the Report, the Group’s application of the reporting principles set out in the ESG Guide is as follows:

Reporting principles	Application
<b>Materiality</b>	The Group identified its materiality issues for the Reporting Period by carrying out materiality assessment and highlighted the materiality issues verified by the Board; For details of the materiality assessment process, please refer to section 2.2 Materiality survey of the Report.
<b>Quantitative</b>	The Group made quantitative disclosures of the applicable key performance indicators (“ <b>KPIs</b> ”) set out in the ESG Guide and stipulated the standards, methodologies, assumptions and/or references for the calculation of the quantitative KPIs.
<b>Balance</b>	The Group detailed the sustainability issues that had a material impact on its businesses and should present a fair picture of the its overall sustainability performance, including the results achieved and the challenges faced.
<b>Consistency</b>	The Group maintained a substantially consistent scope of disclosure and reporting methodology with that of the previous reporting period to enhance comparability of environmental and social performance. If the statistical methodology and the method for collecting KPI-related information for the current Reporting Period is different from that of previous reporting periods, the Group will specify such difference in the form of a note.

### 1.2. Reporting scope

The contents of the Report, including policy papers, statements and figures, primarily cover the Group’s principal subsidiaries that have a material impact on the Group’s results, including the Company, Shanghai Dongkui and Chongqing Baoxu, as well as a shopping mall owned and managed by Chongqing Baoxu, namely Dong Dong Mall. The Company operates at its Hong Kong office, while Shanghai Dongkui and Chongqing Baoxu operate at its Shanghai office and Chongqing office respectively.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. ESG RESPONSIBILITIES

### 2.1. Board statement

The Board is dedicated to protecting and enhancing long-term shareholder value, leading and managing the Group to achieve long-term returns, and making positive contributions to the society and environment. The Board recognises the importance of ESG to the Group's sustainability and is solely responsible for the strategy and reporting on all ESG matters. The Board has actively fulfilled its ESG responsibilities, such as holding meetings to discuss ESG matters of the Group when necessary. The Board also has an oversight role over the Group's ESG matters, requiring the Company's management to report regularly and make timely decisions on important ESG matters, including reviewing and adjusting annual materiality issues, approving ESG reports, to understand the ESG performance of the Group's businesses. The Board regularly reviews the progress of ESG objectives relating to the Group's businesses and promotes and revises such objectives where appropriate to enhance the ESG performance of the Group. At the same time, the Board is dedicated to maintaining good communication with the management of the Company and ensuring that the Group's ESG strategy is effectively implemented and consistent across its subsidiaries by delegating to the management of the Company the responsibility for coordinating and harmonising ESG efforts.

The Board proactively participates in the materiality issue assessment work each year. Apart from maintaining good communication and interaction with stakeholders, the Board looks forward to listening to stakeholders' views on the sustainable development of the Group and formulating an ESG strategy that meets the needs of the Group's stakeholders. During the Reporting Period, the Board participated in identifying the annual materiality issues and determined the material ESG issues of the Group. The Board will continue to enhance the Group's ESG effectiveness in the future based on stakeholders' feedback and the Group's business operation, including identifying the Group's ESG risks and opportunities at all aspects, setting priorities and management strategies for ESG work, and building key ESG strategies that will drive future business growth and address future challenges.

Following the general market trend, ESG matters are becoming more relevant to corporate development and involve different emerging issues. The Group's Board recognises the need for greater thoughtfulness in considering corporate development and the need to strengthen the Board's oversight responsibilities in relation to ESG. The Group has established an ESG Working Group to coordinate ESG efforts. Meanwhile, members of the ESG Working Group communicate closely with the Board and share with the Board from time to time examples of ESG management from industry peers for reference, and keep abreast of market trends on ESG matters to help enhance the Board's understanding and knowledge on ESG matters. Members of the ESG Working Group will continue to participate in ESG training seminars and professional development on sustainability to keep the Group up-to-date on ESG matters.

The Board is considering enhancing the current ESG management structure and evaluating and managing ESG matters in a more effective and detailed manner. The Board looks forward to leading the working group to develop internal ESG management approaches, strategies and objectives through the analysis and recommendations of the ESG Working Group, and to further examine and enhance the reporting framework. Currently, the Board is actively discussing how to further integrate ESG and topical market trends, including climate related risks and opportunities, into key governance processes in order to enhance the Board's effectiveness in monitoring ESG matters. The Group's Board is committed to more actively reviewing and considering how to devote sufficient resources to the Group's ESG development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.2. Materiality survey

The Group attaches great importance to the valuable views of its stakeholders. The stakeholders' concerns on the Group's sustainability are of great reference value to the Group in formulating its sustainability strategy. In order to further systematically assess the Group's material ESG issues and understand stakeholders' views, the Group engaged a third party consulting firm to assist in identifying materiality issues to ascertain whether the existing materiality issues are still relevant to the business and stakeholders.

The results of materiality issues are reviewed annually by the Group's Board to identify the issues of the greatest importance to the Group and its stakeholders, and are highlighted in the ESG Report in order to address specific stakeholders' concerns. During the Reporting Period, the Board of the Group, with reference to the above basis and after analysing the regulatory requirements and the general trend in the market, made adjustments based on the results of the materiality issues in 2022 and included "Response to climate change and its impacts" in the environmental aspect and "Anti-corruption" and "Staff development and training" in the social aspect in the ESG materiality issues of the Group for 2022 respectively.

The ESG materiality issues of the Group and other sustainability issues of concern to the Group in 2022 are as follows:

Environmental aspect	Social aspect	Governance aspect
<b>1. Waste discharge and management</b>	<b>1. Customer information security and privacy protection</b>	<b>1. Compliance operation</b>
<b>2. Energy utilization and efficiency</b>	<b>2. Customer satisfaction</b>	<b>2. ESG and relevant strategy</b>
<b>3. Green office</b>	<b>3. Concept and institutional guarantee of fair competition</b>	<b>3. ESG risk assessment</b>
<b>4. Exhaust gas emissions and management</b>	<b>4. Product/service quality control and management</b>	4. Communication with stakeholders
5. Response to climate change and its impacts	<b>5. Social impact of investment, products and services</b>	
6. Wastewater discharge and management	6. Anti-corruption	
7. Greenhouse gas emissions and management	7. Staff development and training	
8. Paper and e-waste management	8. Employment and staff welfare	
9. Water usage and efficiency	9. Observance and protection of intellectual property rights	
10. Environmental and natural resources policy	10. Health and safety	
	11. Product/service health and safety	
	12. Environmental risk management of supply chain	
	13. Social risk management of supply chain	
	14. Supplier management practices	
	15. Product/service advertising	
	16. Green procurement	
	17. Social participation and contribution	
	18. Preventing child and forced labour	

\* 2022 materiality issues are marked as bolded

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To address stakeholders' concerns, the Group will elaborate on its policies, initiatives and performance in relation to materiality issues during the Reporting Period in the Report. At the same time, the Group will continue to review its governance approach in relation to materiality issues in the future and make timely adjustments accordingly to better respond to stakeholders' expectations.

## 2.3. Risk management

The Group believes that an effective risk management and internal control system is an essential element in maintaining a high standard of corporate governance. The Board is solely responsible for maintaining a sound and effective risk management and internal control system for the Group. Such system play an important role in maintaining and enhancing the accountability and transparency of the Group's business operation, helping the Group to identify and manage the significant risks it faces in achieving its business objectives, protecting the rights of the Company's shareholders, ensuring compliance with relevant laws and regulations, and helping to enhance investor confidence.

Below sets forth the Group's regular procedures established for the identification, assessment and management of risks, including:

- In the risk assessment process, the Board is responsible for identifying the Group's risks and determining the level of such risks, and the Board is responsible for assessing and determining the nature and extent of risks that are acceptable to the Group in achieving its strategic objectives.
- After discussing and considering effective risk countermeasures, the relevant departments and business units are assigned to implement the appropriate risk management solutions in accordance with their respective roles and responsibilities.
- The Board and the Audit Committee continuously monitor the risk and execution management and evaluate and review the effectiveness of the internal control system to ensure that the Group has taken reasonable steps to manage significant risks.

The Group understands that ESG issues are no less important than other types of corporate risks and therefore proactively considers incorporating ESG risks into its development strategies and regular risk management procedures to enhance the Group's overall risk management capabilities. Currently, the Group has developed and adopted diversified ESG risk management policies and measures. For example, on anti-corruption issues, the Group requires its employees to comply with relevant anti-corruption laws and adopts and adheres to the highest standard of ethical business practices under internal guidelines to further strengthen the Group's corporate culture of integrity and compliance and to reduce the likelihood of relevant risks. In the future, the Group will comprehensively identify, manage and monitor ESG risks related to other environmental, employment and operational practices, as well as gradually integrate and establish a regular risk management mechanism incorporating ESG risks, and develop strategies and risk management tools to address the relevant risks.

## 2.4. Compliance operation

The Group recognises the importance of good corporate governance practices and believes that they are critical to the development of the Group and the protection of shareholders' interests. The Group strives to minimise compliance risks its businesses face and effectively prevent any negative impact on its operation through a range of operational compliance management measures. Based on regular business analysis and professional legal advice on projects undertaken and operational practices provided by professional law firms, the Group provides adequate assurance that the Group is operating in compliance with relevant regulatory requirements and industry regulations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At the same time, the Group strictly complied with the Listing Rules of the Stock Exchange and regularly reviewed its corporate governance practices to ensure that the Company's internal corporate governance met the relevant requirements during the Reporting Period. In addition, the Group closely monitored and followed the ESG Guide under the Listing Rules of Stock Exchange to prepare for ESG reporting in advance. The Group's internal staff, including the Board, senior management and data collection staff, are invited to undergo annual training on ESG work.

## 3. ENVIRONMENTAL RESPONSIBILITY

Green development has become an important part of the world's attention. The Group values sustainable development and strives to minimise the potential environmental impact of its daily operations while promoting good environmental management policies. During the Reporting Period, the Group complied strictly with the environmental laws and regulations in Hong Kong and Mainland China that have a material impact on the Group in relation to emissions of exhaust gas and greenhouse gas, discharges to water and lands, and generation of hazardous and non-hazardous waste, including but not limited to the "Law of the People's Republic of China on the Prevention and Control of Water Pollution" and the local "Regulations on Domestic Waste Management" of various jurisdictions. The subsidiaries in Shanghai and Chongqing, including Shanghai Dongkui, Chongqing Baoxu and Dong Dong Mall, have implemented the "Regulations of Shanghai Municipality on Domestic Waste Management" and the "Regulations of Chongqing Municipality on Domestic Waste Management" respectively since 2019, under which the Group's subsidiaries are required to separate and dispose of domestic waste. The Group also requires the relevant staff to report the disposal status to the management on a regular basis to ensure compliance with the relevant statutory requirements.

The Group's businesses mainly involve in the use of energy and other resources. As the premises where the Group operates are mainly offices and shopping malls, the Group is committed to raising the environmental awareness of its staff and has therefore promoted the "Green Office Policy" since 2018 to promote energy and resource saving measures at its offices. This policy not only encourages staff to implement green practices and raise their awareness of environmental protection, but also effectively reduces the impact of daily operations on the environment. The Group encourages its subsidiaries to implement and enforce the policy and requires its human resources department to brief new employees on its green office policy to ensure that each employee is aware of and cooperates with the implementation of the "Green Office Policy".

In addition, the Group continuously keeps records of resource usage at its offices and in its shopping malls to facilitate statistical and regulatory reporting on the effectiveness of relevant energy saving and emission reduction and resource conservation measures. The Group is in the process of formulating an appropriate environmental approach for the Group's operations in terms of energy saving, emission reduction and water efficiency enhancement, with a view to setting specific and feasible short-, medium- and long-term goals to continuously improve the Group's performance in environmental management.

### 3.1. Energy saving and emission reduction

The majority of air pollutants and greenhouse gas emissions from the Group's operation are generated from the energy consumption of offices and shopping malls, and the fuel consumed by company vehicles. The Group is concerned about emissions from transportation and travel and has been actively implementing a number of initiatives. The Group has established a clear vehicle policy to centrally manage the use of vehicles to ensure that company vehicles are allocated to employees base on their needs and utilized in a reasonable manner, thereby reducing emissions from the use of vehicles. At the same time, the Group encourages its Directors and senior staff to use electronic meeting facilities to reduce overseas travel and reduce emissions from travel.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to improve the efficiency of the use of energy in its operation, the Group has adopted specific energy saving measures at each of its offices, including but not limited to the following:

**(1) Room temperature control:**

Maintain the average office room temperature between 24 to 26 degrees Celsius during working hours to reduce the power consumption of the air-conditioning.

**(2) Switch off electrical appliances not in use:**

Turning off all lights at the offices after working hours and during lunch breaks;

Turn off computer screens and other electrical appliances after working hours.

**(3) Adopt energy saving equipment:**

Priority is given to energy saving appliances with a Grade 1 energy label at offices;

Low energy consumption lighting such as light emitting diode (LED) lamps are used at offices.

**(4) Use videoconferencing mostly:**

Use videoconferencing to reduce transportation and travel.

During the Reporting Period, the offices of Shanghai Dongkui have fully adopted LED lamps to reduce electricity consumption, while Chongqing Baoxu has gradually started to adopt LED lamps and has set the standard for energy consumption per capita. The Group's energy saving measures aim at saving electricity consumption at offices and reducing its expenses on electricity consumption.

In terms of shopping mall operation, the Group is committed to reducing electricity consumption in shopping malls through the use of environmentally friendly designs.

Glass walls have been installed in the ceiling of the Dong Dong Mall to bring in and utilize natural light, while LED lighting is widely used in other low light locations. In order to improve the efficiency of lighting, an intelligent light control system and a time control system have also been adopted in Dong Dong Mall to automatically switch on the interior lighting only when there is insufficient natural light and during the prescribed hours, thereby significantly reducing the electricity consumption for lighting. In addition, automatic induction escalators have been installed in Dong Dong Mall to reduce unnecessary electricity consumption during low-traffic hours. In line with the Group's energy saving measures at its offices, Dong Dong Mall and its offices also minimise the use of air-conditioning and require property managers to ensure that computers, lights and air-conditioning systems are properly switched off during non-office hours when conducting mall inspections to avoid the waste of resources.

The Group will continue to review its existing energy saving and emission reduction measures and their effectiveness to further develop energy saving and emission reduction goals, and implement different energy saving and emission reduction strategies.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.2. Waste management and resource conservation

There is no hazardous waste generated directly from the Group's business operation, except for the hazardous waste generated from the Group's office operation, which includes toner cartridges and batteries. The Group follows the "Waste Disposal Ordinance" and encourages the use and recycling of reusable toner cartridges and the return of used toner cartridges to the suppliers for recycling to ensure proper disposal of hazardous waste. During the Reporting Period, the Group collected a total of 18 toner cartridges, 9 fluorescent tubes and 34 batteries.

During the Reporting Period, the Group's offices generated non-hazardous waste, including domestic waste and paper, mainly from its office and shopping mall operation. As a matter of operational practice, the Group complied with the "Waste Disposal Ordinance" and the local "Regulations on Domestic Waste Management" of various jurisdictions for the proper disposal of office waste. During the Reporting Period, the Group accumulated a total of 180 recyclables. In addition, the majority of the hazardous or non-hazardous waste that the Group may generate comes from residual materials from the operation of shopping malls. Therefore, Dong Dong Mall has established a waste management policy in shopping malls, including the provision of recycling bins at prominent locations in shopping malls to promote the recycling of resources by customers and tenants. In addition, Dong Dong Mall has established the "Management Measures for Material Handling", which requires the use of reusable materials in shopping mall activities and recommends tenants to give priority to recycling when removing or disposing of residual and discarded materials in shopping malls, so as to reduce the amount of waste in shopping malls.

The Group will continue to monitor and review the consumption of resources on an ongoing basis through the implementation of different waste management measures such as waste reduction at source and the collection of relevant information to further achieve and set the target of zero waste.

In terms of the use of water resource, the water consumed by the Group during its operation is from municipal water supply and there are no difficulties for the Group to obtain water. In addition, the Group's businesses do not belong to the industries with high water consumption, while the Group is still committed to reducing water consumption in its operation and will endeavour to obtain data for complete disclosure in the future. The Group also conducts regular inspections of water taps and posts water conservation reminders at various locations to remind staff of the importance of cherishing water resource. In addition to the measures for reducing water consumption at its offices as set out in the "Green Office Policy", the Group also strives to improve water consumption efficiency in other areas. For example, sensor-activated water taps have been installed in the toilets of Dong Dong Mall to prevent the waste of water and reduce water consumption, which will help remind mall customers to treasure water.

Currently, the Group intends to know more details about its overall water demand and consumption in order to develop and implement goals for efficient water consumption and corresponding management measures in the future.

The Group's "Green Office Policy" clearly sets out measures for reducing waste and water consumption to encourage its employees to reduce waste and resource consumption at its offices. Specific measures include:

(1) Reduction of waste	(2) Resource conservation	(3) Encouragement of recycling
Reducing the use of tissue paper; replacing paper hand towels with fabric towels; reducing use of disposable tableware.	Printing on both sides of paper; installing dual-flush toilets and water-saving faucets.	Recycling of office equipment such as calculators, printers and telephones at the products' end-of-life; providing appropriate recycling bins for office waste recycling.

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### 3.3. The environment and natural resources

The Group has a promising prospect on the development of the green industry, and is committed to promoting the idea of environment protection and cherishing natural resources. The Group has been promoting its business of sales of flowers and plants and providing a wide range of landscape greening flowers and plants to small and medium-sized real estate developers in the PRC. During the Reporting Period, Chongqing Baoxu actively developed projects for the sales of flowers and plants and worked with other landscape greening companies to respond to the rising demand for greenery in the PRC and to vigorously promote and enhance the importance of the environment and natural resources to our customers.

In addition, the Group's businesses do not belong to highly polluting industries. The main impacts of the Group's operations on the environment and natural resources are electricity consumption and the use of water resource, which have been minimised by the Group's well-established energy saving and emission reduction and water resource policies. Notwithstanding this, the Group will still actively respond to the global trend of energy saving and emission reduction by establishing the "Green Office Policy" and the "Management Measures for Material Handling" to reduce the Group's resource consumption and carbon footprint and to contribute to the protection of the environment and natural resources. In addition to complying with all relevant laws and regulations relating to environmental protection, the Group will actively explore development opportunities in energy conservation and environmental protection to ensure that environmental protection is gradually incorporated into the Group's investment decisions subject to capital security and adequacy.

### 3.4. Response to climate change

In recent years, global climate change has brought uncertainties to many different industries. It is expected that the Group can identify the significant impact of climate change on its business as early as possible. The Board of the Group is discussing the development and implementation of a climate change reporting approach relevant to the Group and plans to devote systematic efforts to develop measures and policies for mitigating climate change through the identification and monitoring of climate related risks.

During the Reporting Period, the Group has been closely monitoring the impact of climate change as described below in order to mitigate these potential risks. For example, in terms of physical risk, climate change increases the likelihood of extreme weather-related events such as hurricanes and rainstorms. To minimise disruption to its business operation due to extreme weather conditions, the Group has developed a set of contingency measures to cope with extreme weather conditions and related emergencies in its Dong Dong Mall to enhance its ability to adapt to climate change.

**In order to reduce the impact of rainstorms, the following countermeasures have been adopted for Dong Dong Mall**

#### (1) Arrangement for flood prevention work:

- Check all drainage outlets to ensure that there are no obstructions and that they maintain good operation;
- Prepare emergency flood control equipment and supplies, and arrange for flood control emergency team to be responsible for clearing debris from the rain drainage system and disaster relief work.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## (2) Monitoring of rainfall:

- Arrange 24-hour patrols to closely monitor the rainfall and report the disaster situation in a timely manner;
- Ensure the smooth operation of the rain drainage system and eliminate abnormal conditions in a timely manner.

## (3) Announcement of danger:

- The monitoring room is responsible for monitoring the on-site situation, issuing notice of danger and providing information on surrounding road condition to the tenants in a timely manner.

## (4) Onsite treatment:

- Arrange personnel to carry emergency equipment and supplies to deal with malfunction of drainage pipes and drainage equipment in a timely manner;
- Inform the staff of each store to be prepared according to the risk situation, including stabilizing emotions of tenants and customers, to prevent chaos.

## (5) Afterward affairs:

- Inspect and commission the equipment and facilities, and arrange professionals to clean the drainage system and the disaster site;
- Organize personnel to control the scene, guide the flow of people and vehicles, and set up reminders;
- Be responsible for the statistics of damage to tenants and damage to project facilities and equipment.

The Group will proactively examine other transition risks of climate change such as policy risks, technology risks and reputational risks, as well as any property damage resulting from climate related disasters caused by the Group.

Although the Group's businesses do not involve significant carbon emissions, the Group is relatively concern about the low carbon economy, and is aware of other industry peers and listed companies introducing plans and initiatives to reduce emissions along the value chain to satisfy and meet market demand. The Group will continue to explore the potential risks as well as opportunities of climate change to the Group's businesses in the future, and where resources permit, develop policies and plans to further enhance the Group's ability to cope with climate change.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Environmental Performance Data for Year 2022

Air pollutants				
Emission source	Type	Quantity	Unit	
Company vehicles <sup>1</sup>	Nitrogen Oxides NO <sub>x</sub>	2.97	kilogram	
	Sulphur Oxides SO <sub>x</sub>	0.09	kilogram	
	Particulate Matter PM <sub>2.5</sub>	0.22	kilogram	
Greenhouse gas emissions				
Emission source	Quantity	Unit	Intensity	Unit
Total greenhouse gas emissions <sup>2</sup>	196.33	ton of CO <sub>2</sub> -e	6.33	ton of CO <sub>2</sub> -e/ employee
			0.01	ton of CO <sub>2</sub> -e/m <sup>2</sup>
Scope 1: Direct greenhouse gas emissions				
Vehicles <sup>3</sup>	15.26	ton of CO <sub>2</sub> -e	0.44	ton of CO <sub>2</sub> -e/ employee
Scope 2: Energy indirect greenhouse gas emissions <sup>4</sup>				
Purchased electricity <sup>5</sup>	179.45	ton of CO <sub>2</sub> -e	0.01	ton of CO <sub>2</sub> -e /m <sup>2</sup>
Scope 3: Other indirect greenhouse gas emissions				
Employees' business travel <sup>6</sup>	1.62	ton of CO <sub>2</sub> -e	0.05	ton of CO <sub>2</sub> -e/ employee

<sup>1</sup> This statistical scope refers to vehicles under the direct operating rights of the Group. This calculation of air pollutant emissions and respective emission factors were stipulated based on the "EMEP/EEA Air Pollutant Emission Inventory Guidebook – 2019".

<sup>2</sup> During the Reporting Period, we further refined our data collection and analysis methodology and re-accounted for the electricity-related data for 2021. The updated greenhouse gas emission data for the 2021 reporting period is 179.45 tons of CO<sub>2</sub>-e, with an emission intensity of 0.01 ton of CO<sub>2</sub>-e/m<sup>2</sup>.

<sup>3</sup> This calculation scope of greenhouse gas emissions (scope 1) includes vehicles used by the Company in Hong Kong, and its calculation methodology and respective emission factors were stipulated based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)" published by Electrical and Mechanical Services Department and Environmental Protection Department.

<sup>4</sup> During the Reporting Period, we further refined our data collection and analysis methodology to include only purchased electricity data for the Group's office and common areas, and re-accounted for the electricity-related data for 2021 to enhance comparability. The updated scope 2 data for the 2021 reporting period is as follows: Energy indirect greenhouse gas emissions were 179.45 tons of CO<sub>2</sub>-e, with an emission intensity of 0.01 ton of CO<sub>2</sub>-e/m<sup>2</sup>.

<sup>5</sup> This calculation scope of greenhouse gas emissions (scope 2) includes the electricity purchased by the Group in Hong Kong and the Mainland China, and its calculation methodology and respective emission factors were stipulated based on the "Sustainability Report 2021" published by Hong Kong Electric Investments and the "Guidelines to Account for and Report on Greenhouse Gas Emissions for Power Generating Facilities of Enterprises (2021 Revised Edition)" published by National Development and Reform Commission of the PRC.

<sup>6</sup> This calculation of greenhouse gas emissions (scope 3) includes employees' business travel by air, and its calculation methodology and respective emission factors were stipulated based on the carbon emissions calculator developed by the International Civil Aviation Organization, a United Nations agency.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of resources				
Total energy consumption	352	MWh	11.72	MWh/employee
			0.02	MWh/m <sup>2</sup>
Indirect use of energy <sup>7</sup>				
Purchased electricity	292,970.36	kWh	15.59	kWh/m <sup>2</sup>
Direct use of energy				
Purchased gasoline <sup>8</sup>	6,467.42	Litre	215.57	Litre/employee
	58,749.91	kWh	1,958.30	kWh/employee
Water consumption <sup>9</sup>				
Purchased water <sup>10</sup>	1,472.08	m <sup>3</sup>	49.07	m <sup>3</sup> /employee
Non-hazardous waste				
Total non-hazardous waste	3.20	ton	0.12	ton/employee
Domestic waste	2.90	ton	0.11	ton/employee
Office paper	0.30	ton	0.01	ton/employee
Hazardous waste				
Toner cartridges	0.009	ton	0.0003	ton/employee
Batteries	0.00078	ton	0.000026	ton/employee
Fluorescent tubes	0.0045	ton	0.00015	ton/employee

<sup>7</sup> During the Reporting Period, we further refined our data collection and analysis methodology to include only purchased electricity data for the Group's office and common areas and re-accounted for the electricity-related data for 2021. The updated purchased electricity data for the 2021 reporting period is 292,970.36 kWh, with an emission density of 15.59 kWh/m<sup>2</sup>.

<sup>8</sup> This purchased gasoline includes the amount of gasoline used in vehicles under the direct operating rights of the Group and is originally collected in liters. The conversion calculation methodology and factors are stipulated based on the Energy Statistics Manual from the International Energy Agency.

<sup>9</sup> During the Reporting Period, we further refined our data collection and analysis methodology to include only the Group's purchased water consumption in its office and common areas and re-accounted for the data relating to purchased water consumption for 2022. The updated purchased water consumption for the 2021 reporting period is 1,472.08 tons, with an emission intensity of 49.07 tons/employee.

<sup>10</sup> The office of the Company located in Hong Kong is a leased office premise and its supply of water is managed by a third party property management company. Therefore, the calculation scope of purchased water does not include the office of the Company located in Hong Kong.

<sup>11</sup> Due to resource constraints, Shanghai Dongkui has not yet calculated the non-hazardous waste generated during the Reporting Period. Therefore, the calculation scope of non-hazardous waste does not include Shanghai Dongkui.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL RESPONSIBILITY

The Group has always regarded its employees as valuable assets and gaining their support is crucial to the development and success of the Group. Therefore, the Group is committed to attracting and retaining talents by maintaining a quality working environment for its employees and ensuring that employees are provided with opportunities for health and welfare, safety and equal employment. The Group attaches great importance to employees' rights and interests, and has strictly complied with the laws and regulations in Hong Kong and the Mainland China, which have significant impacts on the Group, such as the employment regulations in relation to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, non-discrimination, welfare and other benefits, including but not limited to the "Employment Ordinance", "Disability Discrimination Ordinance", "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China" and "Social Insurance Law of the People's Republic of China". The Group has formulated its human resources system with reference to the aforementioned laws and regulations to ensure that it manage employees in accordance with the laws and regulations. During the Reporting Period, the Group was not aware of any non-compliance in relation to the aforementioned material laws and regulations.

### 4.1. Employment

The Group has established a sound system for monitoring and protecting employees' rights and interests, including human resources policies such as the "Employee Regulations" and "Human Resources and Administration Handbook". The Group has stipulated the rules and procedures for recruitment, promotion, remuneration, welfare, rest periods and dismissal in the aforementioned policies. In addition, the Group has also constantly reviewed and improved its existing policies to ensure that employees are provided with legitimate rights.

The Group adheres to the principle of "meritocracy" and considers it particularly important for promoting a diverse and equal workforce culture in the Group. The Group strictly prohibits any unfair or unreasonable dismissal. In the process of recruitment and promotion, the Group will take into account the performance, experience and ability of the candidates or employees to ensure that no discrimination will be made against candidates or employees on any grounds, including gender, age, race, family status or physical disability. In addition, the Group has clearly stipulated the terms and conditions for employees including matters relating to dismissal. For example, the labour contracts entered into between Shanghai Dongkui and its employees specify the circumstances under which employees may not be dismissed and the procedures for termination of employment, with an aim to protect the rights and interests of employees.

The Group retains outstanding talents by providing competitive remuneration and benefits. The Group determines employees' remuneration packages on the basis of individual work performance and the market standard of remuneration. Reasonable adjustments are made to remuneration as and when appropriate. The Group provides remuneration packages comprising basic salary, sales commission (only applicable to some of the operational employees), a medical insurance scheme and retirement benefit schemes. Besides, the Group provides discretionary bonuses and issues share options to eligible employees according to their business performance. The Group is also committed to providing other employee benefits such as overtime allowances, holiday working allowances, birthday welfare and meal and transportation allowances. The Group clearly provides the working hours and rest periods of employees in their Labour contracts in accordance with the employment laws of the relevant operating location. The Group also ensures that employees are entitled to statutory holidays, annual leave, sick leave and maternity leave. Unpaid leave, paternity leave, marriage leave and causal leave are provided depending on individual circumstances.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group had a total of 30 employees as at the end of the Reporting Period, all of whom were full-time employees. Details of workforce statistics and employee turnover rates are as follows:

<b>Workforce statistics</b>	
<b>Employee category</b>	<b>Number of employees (person)</b>
By gender	
Female	14
Male	16
By employment type	
Full-time	30
Part-time	0
By age	
29 or below	2
30-50	22
51 or above	6
By region	
Hong Kong	10
Mainland China	20

<b>Employee turnover rates<sup>12</sup></b>	
<b>Employee category</b>	<b>Turnover rates (%)</b>
By gender	
Female	2%
Male	6%
By age	
29 or below	0%
30-50	5%
51 or above	0%
By region	
Hong Kong	6%
Mainland China	5%

<sup>12</sup> Employee turnover rates were calculated as: the number of employees left in the category divided by the total number of employees in the category as at the end of the year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.2. Health and safety

The Group also strongly emphasises employee health and safety and is committed to providing a comfortable, healthy and safe workplace to its employees.

The Group has formulated occupational health and safety measures, which are provided in its “Human Resources and Administration Manual” and clearly introduced to each new employee at orientation, with an aim to prevent from any occupational hazards and reduce risks in the working environment as far as possible, thereby striving to achieve the goal of zero injuries. During the Reporting Period, the Group strictly complied with material laws and regulations in Hong Kong and the Mainland China that have a significant impact on the Group relating to provision of safe working environment and protection for employees to avoid occupational hazards, including but not limited to the “Occupational Safety and Health Ordinance”, the “Employees’ Compensation Ordinance” and “Regulations on Work-Related Injury Insurance”. In compliance with provisions of the “Employees’ Compensation Ordinance” and “Regulations on Work Related Injury Insurance”, the Group has taken out insurance policies against work injuries for its employees. During the Reporting Period, the Group was not aware of any non-compliance in relation to the aforementioned material laws and regulations.

Meanwhile, the Group has implemented a series of measures to ensure the safety of its employees at offices. Adjustable seating is provided by the Group to its employees for effectively minimising physical fatigue from the use of computers over an extended period of time. First-aid kits are provided in all workplaces, and heatstroke prevention items are also available when necessary. Meanwhile, the Group also has feature plants and air purifiers at its offices and regularly engages third parties to clean its air-conditioning systems, thereby maintaining good air quality at offices. The Group reviews the adequacy of office security measures in a timely manner and cares about the needs of its staff in this regard.

During the past three years (including the Reporting Period), the Group did not record any work-related injuries or work-related fatalities among its employees.

The Group also actively promotes occupational safety by posting occupational safety information for different working environments and situations at its offices, and arranging for employees to attend occupational health seminars to raise the awareness of occupational health and safety among all employees. The Group also organises regular fire drills, including simulating fire escape routes and the use of fire-fighting equipment, to enhance the ability of our merchants and staff to respond to fire incidents. In addition, in order to ensure the safety of employees, the Group has put in place a system of work arrangements under typhoon and rainstorm warnings to protect staff from any accidents arising from inclement weather. On business aspect, the Group’s property management team regularly inspects and repairs the facilities of the buildings. For example, the fire service installations and lifts in Dong Dong Mall are tested and maintained annually to ensure and protect the safety of staff, mall tenants and customers.

The Group closely monitors the COVID-19 and takes different levels of precautionary measures as appropriate. We have regularly provided our staff with adequate epidemic prevention supplies, including facial masks and personal disinfectant hand sanitizer, and have posted epidemic prevention information at all of its offices to appeal to staff to observe personal hygiene and further enhance their awareness of hygiene. To protect the health of our staff in the face of the threat of the COVID-19 pandemic, the Group resolutely decided to implement work-from-home arrangements during the period when the pandemic was becoming more serious, thereby greatly reducing the risk of cross-contamination among staff.

The Group places great importance on the physical and mental health of its staff and the maintenance of good staff relations. We provide free annual medical check-ups to ensure that our staff are in good physical condition. The Group also encourages its staff to relax after work and invite them to participate in the leisure activities organized by the Group, including team building activities and festive celebrations, in order to foster a greater sense of camaraderie among staff and a sense of belonging to the Group.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.3. Development and training

The Group encourages employees to upgrade their skills and is willing to invest in training to enhance their skills and capabilities and to create opportunities for their long-term personal growth.

The Group often participates in seminars on topics such as financing, compliance and anti-corruption organised by government agencies and professional bodies such as the Hong Kong Independent Commission Against Corruption and other financial intermediaries. The Group expects every employee holding a financial or job-related licence to keep up with the changes and regulations of the market. In addition, the Group provides induction training for each employee, which includes an introduction to the corporate culture and job skills training, so that employees can integrate into the Group and adapt to their jobs more quickly. In addition, the Group also arranges training activities such as job skills training, health and safety training and internal experience sharing from time to time to broaden the horizons of its staff in their professional fields. To further encourage staff development, the Group conducts staff appraisals at the end of each year to identify promotion and training opportunities based on staff performance and areas of responsibility.

In addition, the Group recognises the importance of talented people and highly competent teams to the long-term development of the Group. The Group is very supportive of employees' participation in personal and professional training and promotes a culture of knowledge and experience sharing among staff. Currently, the Group is considering arranging for each licensed employee and other professional employees to participate in continuous professional training at the activities of professional bodies and to meet a specified number of training hours each year. In the future, the Group will be more committed to enhancing the professional knowledge and skills of its staff and will actively consider developing a staff training policy to establish a systematic staff training mechanism.

During the Reporting Period, the Group has taken into account the Global Reporting Initiative's (GRI) Sustainability Reporting Standards and market trends when reviewing the materiality issues for 2022, and has become more aware of the relevance of a company's focus on people development to its long-term growth. Therefore, the Group will place greater emphasis on staff development and training in the future. Currently, the Group is actively discussing how to align its business with the Group's ESG development strategy and to enhance the ESG expertise of its staff through training, and intends to invite staff to participate in the ESG planning and development of the Company in the future, so as to help them become more involved in the Group's business development in the long run.

Staff training data		
Employee category	Average training hours (hour) <sup>13</sup>	Percentage of employees trained (%) <sup>14</sup>
By gender		
Female	0.4	9%
Male	4.2	91%
By employee category		
Senior-level	5.9	84%
Mid-level	0.4	6%
Entry-level	0.7	10%

<sup>13</sup> Averaged training hours were calculated as: the total training hours of employees in the category divided by the total number of employees in the category as at the end of the year.

<sup>14</sup> Percentage of employees trained was calculated as: the total number of employees trained in the category divided by the total number of employees trained.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.4. Labour standards

The Group does not employ children and prohibits any form of forced labour. During the Reporting Period, the Group strictly complied with material laws and regulations in Hong Kong and the Mainland China that have a significant impact on the Group relating to prevention of child and forced labour, including but not limited to the “Regulations on Prohibiting Use of Child Labour” and “Provisions of the State Council on Employees’ Working Hours”. During the Reporting Period, the Group was not aware of any non-compliance in relation to the aforementioned material laws and regulations. Shanghai Dongkui’s labour contracts stipulate the working hours and overtime allowances for its employees to prevent forced work without compensation. In addition, in order to avoid violating labour laws and regulations, the Group checks all applicants’ identity certificates during the recruitment process and promises that employees will not be forced to work overtime. If use of child labour or forced labour is discovered, the Group shall seek legal advice and the responsible personnel will be dismissed immediately.

## 4.5. Supply chain management

The Group’s major suppliers include providers of office supplies and business gifts, advertising companies engaged for publicity, and engineering companies engaged for the maintenance of shopping malls or offices. During the Reporting Period, the Group engaged one supplier in the Mainland China.

The Group adheres to the principles of fair competition and looks for win-win partnerships when selecting suppliers. The Group’s “Procurement Management Guide” prescribes transparent procurement procedures for selecting suitable suppliers in a fair, impartial and open manner. The Group incorporates procurement procedures for fair competition, including objective selection criteria and the exclusion of recommended suppliers’ employees from the bidding process, thereby protecting the interests of both the Group and its suppliers. The Group has also stipulated factors for consideration when making procurement in the “Procurement Management Guide”, including the business’s reputation, quality, services, and price and terms of sales of the suppliers, with a view to reducing procurement risk and enhancing procurement efficiency. The Group has established a supplier evaluation mechanism to ensure that the products and services provided by the suppliers meet the standards of the Group. The Group’s procurement department maintains a working group to inspect suppliers that are engaged for the first time. Subsequent to a comprehensive assessment, the Group enters into agreements with eligible suppliers and requires the suppliers to be compliance with applicable environmental and social laws and regulations. Moreover, the Group conducts annual evaluations on the suppliers to update its supplier database and renew contracts with outstanding suppliers. The Group also monitors the environmental and social performance of its suppliers by taking various measures to ensure that its requirements are met, and to reduce the environmental and social risks caused by procurement. As to engineering and advertising service providers, Chongqing Baoxu inspects and assesses such suppliers through multi-departmental cooperation, to ensure their compliance with the Group’s requirements and the regulations of the relevant jurisdictions where they operate. Shanghai Dongkui also evaluates its suppliers’ performance regularly and terminates contracts with those suppliers that fail to comply with the requirements. The Group will actively consider developing policies to manage the environmental and social risks of its suppliers in order to further reduce the environmental and social risks inherent to the supply chain.

In addition, the Group also considers factors such as environmental protection when making procurement, with an aim to implement “green procurement”. Subject to the Group’s requirements, priority is given to local suppliers when making procurement, in order to reduce the carbon emissions generated by the transportation of materials and products. The Group also considers green products, such as recycled paper and electrical appliances with a Grade 1 energy label, to be a priority when marking procurement.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.6. Service quality

The Group is strongly focused on improving the quality of its services to meet the customers' expectations. The Group strictly complied with laws and regulations in Hong Kong and the Mainland China that have a significant impact on the Group relating to health and safety, advertising and privacy matters relating to services provided and methods of redress, including but not limited to the "Personal Data (Privacy) Ordinance", the "Competition Ordinance", the "Advertising Law of the People's Republic of China" and the "Trademark Law of the People's Republic of China", striving to provide its customers with compliant and quality services. During the Reporting Period, the Group was not aware of any non-compliance in relation to the aforementioned material laws and regulations.

The Group strives to maintain good communications with its customers through its official website, service hotlines, dedicated mailboxes and other channels, thereby understanding the customers' expectations on and suggestions for the Group's performance. The Group and its subsidiaries have established procedures for customer complaints. Chongqing Baoxu maintains a customer service center and customer service hotlines to handle enquiries and complaints from tenants and customers of Dong Dong Mall. The Company has engaged a professional public relations firm to handle customer complaints. During the Reporting Period, the Group did not receive any complaints.

### **Case – Process of complaints handling of Dong Dong Mall**

Dong Dong Mall standardizes its customer complaint handling process and explicitly stipulates the responsibilities and principles for handling complaints, and modifies its "Guidelines on Customer Service Complaint Handling", to achieve timely and effective handling of any complaints and enhance customer satisfaction. When a complaint is received, the customer service department of Dong Dong Mall will immediately determine the level and type of such complaint, then pass it to the appropriate department for a response to the customer within 24 hours. Responsible personnel are required to analyse, report and compile a case study for each complaint for other colleagues' reference, so as to avoid the occurrence of similar incidents.

Meanwhile, the Group is committed to reducing the health and safety risks and takes various measures to ensure that customers are properly protected. The Group's property management team regularly inspects and repairs the fire equipment and lifts to ensure that they are safe and in good working order, with an aim to reduce accidents or breakdowns, thereby providing a safe and secure shopping environment for tenants and customers.

The Group regards customer privacy as a matter of prime importance, and has accordingly developed a "Customer Data Confidentiality System" and implemented a series of confidentiality measures to ensure secure storage of customer information. When conducting transactions, the Group enters into confidentiality agreements with third parties such as customers, suppliers and investors, as required. The Group requires that all agreements and confidential documents are stored in locked filing cabinet, and stipulates that documents are not to be copied without the approval of the managing personnel. Besides, the Group's employees receive guidance to prevent them from disclosing customer information. In its "Employee Regulations", Shanghai Dongkui explains the obligation of employees to keep the Group's sensitive information confidential and to avoid mentioning work-related details outside the office. Chongqing Baoxu enters into a Confidentiality Agreement with employees which requires the employees to keep any information obtained during their employment regarding project plans, customer lists and financial data confidential, and not to disclose such relevant information to third parties. If any leak of customer information is identified, the Group will rectify it promptly and punish responsible employees based on the severity of the incident. Employees will be held legally responsible for serious circumstances. During the Reporting Period, the Group did not experience any incidents of customer information leakage, nor did it receive any complaints about improper use of customer information that had a significant impact on the Group.

The Group forbids any form of false or misleading description in advertising and the transaction process, and requires that all advertisements or other information to be published shall be reviewed by department heads prior to publication. This ensures that accurate and comprehensive information is provided to customers during business meetings, consultations, and other work-related processes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to respecting the achievements of copyright owners by protecting intellectual property rights. In order to avoid labour disputes arising from intellectual property rights, the “Confidentiality Agreement” stipulates that the Group can make use of employees’ intellectual property only with the authorization of the employees, respecting creative achievements of the employees.

## 4.7. Anti-corruption

The Group adheres to ethical business practices and does not tolerate any form of corruption, bribery or fraud in its business operation. The Group strictly complied with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, including but not limited to the “Independent Commission Against Corruption Ordinance”, the “Prevention of Bribery Ordinance” and the “Anti-Money Laundering Law of the People’s Republic of China”. During the Reporting Period, the Group did not receive any allegations against it or its employees regarding bribery, extortion, fraud or money laundering, nor did it receive any whistleblowing relating to bribery or corruption.

The Group prevents corruption, bribery and money laundering in any form through enforcement of the following anti-corruption policies and various measures:

<p>1) Open tendering: When circumstances allow, tenders should be selected from at least three service institutions. Transparency must be ensured during the tendering process.</p>	<p>4) Entering into the Integrity Cooperation Agreement: Chongqing Baoxu requires partners such as customers and suppliers to sign an agreement on the prevention of corruption with a view to eliminating any transfer of benefits.</p>
<p>2) Service agreement review and approval: Service agreements are subject to the review and approval of employees of different ranks according to the value of the agreements, with a countersignature system employed for large-value agreements.</p>	<p>5) Preventing bribery: Shanghai Dongkui’s “Employee Regulations” stipulates that employees must abide by professional ethics, and prohibits any form of corruption or bribery. Employees who are found to have involved in corruption will be discharged from their duties immediately and required to indemnify the losses caused. If such corruption is found to be in violation of national or regional laws and regulations, the employees will be held accountable for his/her judicial responsibility.</p>
<p>3) Third-party audit: Third party audit institutions must be engaged to audit financial accounts. This protects shareholder interests by preventing account falsification.</p>	<p>6) Preventing money laundering and fraud: Before and after conducting any loan financing activities, careful pre-leasing investigation, on-site agreement execution, and post-lending examination must be conducted, so as to prevent fraud and ensure that all loan financing items are obtained from official channels.</p>

The Group does not tolerate any fraudulent business activities and encourages anyone with knowledge of any anti-corruption violations within the Group to report them to the Group. The Group has a whistleblowing policy that allows employees and those with information to report and keep confidential. The Group has undertaken to investigate on whistleblowing reports on a strictly confidential basis in all circumstances and no whistleblower will be dismissed or improperly dealt with due to their whistleblowing. The audit monitoring unit has been established in the Group’s risk management centre and rewards all reports that are substantiated.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With an aim to further enhance the awareness of the Directors and employees, the Group provides anti-corruption training for the Directors and employees from time to time as well as new employees at their orientation. During the Reporting Period, the Group made reference to the anti-corruption training courses on the online platform of ICAC, which will be consolidated and used as a key reference for internal training materials in the future. Additionally, the Group clearly delegates job duties to relevant departments, such as sales, risk management and property management, to enhance the self-restraint of each and enable the supervisory and restrictive functions within the audit process.

#### 4.8. Community investment

The Group recognises the importance of corporate social responsibility and is considering the establishment of a relevant policy to actively consider giving back to the community and maximising the positive impact on the community when developing its business. For example, Chongqing Baoxu will continue to provide quality landscape greening and related floral services and will be pleased to facilitate the green development of the country and the Mainland China market by promoting green urban environment and helping to create a beautiful community.

At the same time, the Group continues to be proactive in understanding the impact of its businesses on the communities in which it operates and exploring opportunities to contribute to the communities with a view to spreading greater care and concern. As Dong Dong Mall is positioned as a shopping mall focusing on children and the parent-child relationship, the Group will fully support the children-related training activities of Dong Dong Mall according to the business characteristics of the mall. With the Group's support, Dong Dong Mall will focus on creating a "one-stop childhood education and training district" in the future to provide the community with a wide range of childhood education to promote the all-round development of children.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. APPENDIX: THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

General disclosures and KPIs	Description	Corresponding section in the Report or other descriptions
<b>Environmental area</b>		
<b>Aspect A1: Emissions</b>		
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.	3. Environmental responsibility
KPI A1.1	The types of emissions and respective emissions data.	3. Environmental responsibility
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	3.1. Energy saving and emission reduction
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.	3.2. Waste management and resource conservation
<b>Aspect A2: Use of Resources</b>		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2. Waste management and resource conservation
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.1. Energy saving and emission reduction
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.	3.2. Waste management and resource conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, as the Group's businesses do not involve the manufacture of products.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General disclosures and KPIs	Description	Corresponding section in the Report or other descriptions
<b>Aspect A3: The Environment and Natural Resources</b>		
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	3.3. The environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.3. The environment and natural resources
<b>Aspect A4: Climate Change</b>		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.4 Response to climate change
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.	3.4 Response to climate change
<b>Social area</b>		
<b>Aspect B1: Employment</b>		
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.	4. Social Responsibility
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1. Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1. Employment
<b>Aspect B2: Health and Safety</b>		
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.	4.2. Health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.2. Health and safety
KPI B2.2	Lost days due to work injury.	4.2. Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.2. Health and safety
<b>Aspect B3: Development and Training</b>		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3. Development and training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3. Development and training
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.3. Development and training

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General disclosures and KPIs	Description	Corresponding section in the Report or other descriptions
<b>Aspect B4: Labour Standards</b>		
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.	4.4. Labour standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.4. Labour standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.4. Labour standards
<b>Aspect B5: Supply Chain Management</b>		
General disclosure	Policies on managing environmental and social risks of the supply chain.	4.5. Supply chain management
KPI B5.1	Number of suppliers by geographical region.	4.5. Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	The Group has disclosed the practices relating to engaging suppliers and how they are implemented and monitored in section 4.5 Supply Chain Management, and will, subject to the availability of future resources, count and disclose the number of suppliers where the practices are being implemented.
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.5. Supply chain management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.5. Supply chain management
<b>Aspect B6: Product Responsibility</b>		
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.	As the Group's businesses do not involve the manufacture of products, matters related to product labelling do not apply to the Group. Other matters related to product responsibility have been disclosed by the Group in section 4.6 Service Quality



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General disclosures and KPIs	Description	Corresponding section in the Report or other descriptions
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable, as the Group's businesses do not involve the manufacture of products.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	4.6 Service quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.6 Service quality
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable, as the Group's businesses do not involve the manufacture of products.
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.6 Service quality
<b>Aspect B7: Anti-corruption</b>		
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.	4.7 Anti-corruption
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.	4.7 Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.7 Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	4.7 Anti-corruption
<b>Aspect B8: Community Investment</b>		
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.	4.8 Community investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	4.8 Community investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	4.8 Community investment

# INDEPENDENT AUDITOR'S REPORT



**To the members of  
Doyen International Holdings Limited**  
*(Incorporated in Hong Kong with limited liability)*

## **OPINION**

We have audited the consolidated financial statements of Doyen International Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 79 to 140, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## **BASIS FOR OPINION**

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Impairment assessment on loan receivables

Refer to notes 5(b)(ii) and 23 to the consolidated financial statements

As at 31 December 2022, the Group's loan receivables amounted to approximately HK\$520,074,000.

With the assistance from independent external valuers, management assessed the provision for impairment of loan receivables based on the expected credit loss ("ECL") model. The ECL model involves significant management judgements and assumptions regarding the probability of default, loss given default, collateral values, economic indicators on forward-looking information as well as other significant factors not covered in the ECL model, if applicable.

We focused on this area because the carrying amount of loan receivables is significant to the consolidated financial statements and management's estimation of ECL allowance of loan receivables involves significant judgements and estimates.

Our audit procedures in relation to management's assessment on provision for impairment losses of loan receivables included:

- understood, evaluated and validated the key control procedures over management's estimation of expected credit losses allowance and periodic review on overdue loan receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors in association with estimation of expected credit losses;
- for the historical information, discussed with management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence;
- for forward-looking measurement, we assessed the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data;
- evaluated the competence, independence, capacities and objectivity of the Group's independent external valuers; and
- checked major data inputs used in the expected credit losses models on sample basis to the Group's record.

Based on the above, we found that the estimates and judgement made by management in respect of the expected credit losses allowance and the collectability of the loan receivables were supportable by the available evidence.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Valuation of investment property

Refer to notes 5(b)(i) and 20 to the consolidated financial statements

As at 31 December 2022, the fair value of the Group's investment property, a shopping mall located in the People's Republic of China amounted to approximately HK\$278,690,000 and a fair value loss on investment property of approximately HK\$31,377,000 was recorded in the consolidated statement of profit or loss for the year ended 31 December 2022.

The fair value of the investment property as at 31 December 2022 was assessed by the directors based on an independent valuation report prepared by independent external valuers.

We focused on this area because the valuation of the investment property is a level 3 fair value measurement as it uses significant unobservable inputs (e.g. capitalisation rate, long term vacancy rate and expected future market rent) which require significant management's judgements.

Our procedures in relation to this matter included:

- evaluated the competence, capabilities and objectivity of the Group's independent external valuers;
- assessed the appropriateness of the valuation methodology used;
- assessed the reasonableness of the key assumptions, such as long term vacancy rate, expected future market rent and capitalisation rate used in the valuation;
- compared tenancy information, including committed rents and vacancy rate, provided by the management to the independent external valuers, with underlying contracts and related documentation, on a sample basis;
- checked, on a sample basis, the accuracy and relevance of the input data used with available market data; and
- assessed the adequacy of the disclosures in relation to the fair value measurement of the investment property.

Based on the procedures described, we found the methodologies used and key assumptions applied in the valuations to be reasonable and supportable by available evidence.

# INDEPENDENT AUDITOR'S REPORT

## **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises all the information 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 the other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made 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.

# INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

The engagement director on the audit resulting in this independent auditor's report is Chan Sai Ho.

### **Baker Tilly Hong Kong Limited**

*Certified Public Accountants*  
Hong Kong, 22 March 2023

### **Chan Sai Ho**

Practising Certificate Number P07705

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	8	107,120	140,974
Purchases		(37,713)	(68,531)
Staff costs	9	(16,990)	(18,444)
Other tax expenses		(2,552)	(2,551)
Depreciation of property, plant and equipment		(23)	(44)
Depreciation of right-of-use assets		(2,435)	(3,264)
Fair value (losses)/gains on investment property		(31,377)	15,822
Reversal of impairment losses on loan receivables, net of recognised		297	22,137
Impairment losses on trade receivables		(5)	(27)
Impairment losses on goodwill		–	(2,078)
Other operating expenses		(11,524)	(13,084)
Other gains and losses	10	(21,778)	8,309
Other income	11	1,431	3,763
<b>(Loss)/profit from operations</b>		<b>(15,549)</b>	82,982
Finance income	13	312	474
Finance costs	13	(157)	(105)
Finance income – net		155	369
<b>(Loss)/profit before tax</b>		<b>(15,394)</b>	83,351
Income tax expense	14	(3,105)	(14,377)
<b>(Loss)/profit for the year</b>	15	<b>(18,499)</b>	68,974
<b>Attributable to:</b>			
Owners of the Company		(17,317)	54,185
Non-controlling interests		(1,182)	14,789
		<b>(18,499)</b>	68,974
<b>(Loss)/earnings per share</b>	18		
		<b>HK cents</b>	HK cents
Basic and diluted		<b>(1.36)</b>	4.25

The accompanying notes form part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK\$'000	2021 HK\$'000
<b>(Loss)/profit for the year</b>	<b>(18,499)</b>	68,974
<b>Other comprehensive (expenses)/income, net of nil tax</b> <i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>(59,240)</b>	23,494
Reclassification of cumulative exchange reserve upon disposal of a subsidiary	<b>397</b>	–
	<b>(58,843)</b>	23,494
<b>Total comprehensive (expenses)/income for the year</b>	<b>(77,342)</b>	92,468
<b>Attributable to:</b>		
Owners of the Company	<b>(60,857)</b>	71,563
Non-controlling interests	<b>(16,485)</b>	20,905
	<b>(77,342)</b>	92,468

The accompanying notes form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	19	21	70
Right-of-use assets	30	4,241	1,401
Investment property	20	278,690	335,364
Intangible assets	21	7,096	7,096
Goodwill	22	–	–
Deferred tax assets	31	26,674	20,721
		<b>316,722</b>	364,652
<b>Current assets</b>			
Loan receivables	23	520,074	657,678
Trade receivables	24	11,037	11,019
Prepayments, deposits and other receivables	25	2,485	6,740
Financial assets at fair value through profit or loss	26	6,894	7,262
Bank and cash balances	27	147,319	40,204
		<b>687,809</b>	722,903
<b>Current liabilities</b>			
Accruals and other payables	28	26,413	29,712
Amounts due to related companies	29	1,429	1,035
Lease liabilities	30	1,830	1,284
Current tax liabilities		30,259	28,222
		<b>59,931</b>	60,253
<b>Net current assets</b>			
		<b>627,878</b>	662,650
<b>Total assets less current liabilities</b>			
		<b>944,600</b>	1,027,302
<b>Non-current liabilities</b>			
Lease liabilities	30	2,400	172
Deferred tax liabilities	31	1,647	4,007
		<b>4,047</b>	4,179
<b>NET ASSETS</b>			
		<b>940,553</b>	1,023,123
<b>Capital and reserves</b>			
Share capital	32	1,174,378	1,174,378
Reserves		(410,359)	(349,502)
Equity attributable to owners of the Company		<b>764,019</b>	824,876
Non-controlling interests		<b>176,534</b>	198,247
<b>TOTAL EQUITY</b>			
		<b>940,553</b>	1,023,123

Approved by the Board of Directors on 22 March 2023 and are signed on its behalf by:

**Lo Siu Yu**  
Director

**Tai Xing**  
Director

The accompanying notes form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company								
	Share capital	Merger reserve	Exchange reserve	Statutory reserve	Other reserves	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 32(b)(i))	(Note 32(b)(ii))	(Note 32(b)(iii))	(Note 32(b)(iv))				
At 1 January 2021	1,174,378	(409,968)	(24,342)	23,461	(300)	(9,916)	753,313	177,342	930,655
Profit for the year	-	-	-	-	-	54,185	54,185	14,789	68,974
Other comprehensive income for the year	-	-	17,378	-	-	-	17,378	6,116	23,494
Transfer to statutory reserve	-	-	-	4,887	-	(4,887)	-	-	-
<b>At 31 December 2021 and 1 January 2022</b>	<b>1,174,378</b>	<b>(409,968)</b>	<b>(6,964)</b>	<b>28,348</b>	<b>(300)</b>	<b>39,382</b>	<b>824,876</b>	<b>198,247</b>	<b>1,023,123</b>
Loss for the year	-	-	-	-	-	(17,317)	(17,317)	(1,182)	(18,499)
Other comprehensive expenses for the year	-	-	(43,540)	-	-	-	(43,540)	(15,303)	(58,843)
Transfer to statutory reserve	-	-	-	4,501	-	(4,501)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(5,228)	(5,228)
<b>At 31 December 2022</b>	<b>1,174,378</b>	<b>(409,968)</b>	<b>(50,504)</b>	<b>32,849</b>	<b>(300)</b>	<b>17,564</b>	<b>764,019</b>	<b>176,534</b>	<b>940,553</b>

The accompanying notes form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		<b>(15,394)</b>	83,351
Adjustments for:			
Finance income	13	<b>(312)</b>	(474)
Finance costs	13	<b>157</b>	105
Dividend income from equity investments	11	<b>(261)</b>	(214)
Depreciation of property, plant and equipment		<b>23</b>	44
Depreciation of right-of-use assets		<b>2,435</b>	3,264
Reversal of impairment losses on loan receivables, net of recognised		<b>(297)</b>	(22,137)
Impairment losses on trade receivables		<b>5</b>	27
Impairment losses on goodwill		<b>–</b>	2,078
Gain on disposals of property, plant and equipment	10	<b>(13)</b>	–
Gain on disposals of financial assets at fair value through profit or loss	10	<b>–</b>	(3,341)
Loss on disposal of a subsidiary	10	<b>235</b>	–
Fair value losses/(gains) on investment property		<b>31,377</b>	(15,822)
Fair value losses on financial assets at fair value through profit or loss	10	<b>983</b>	2,424
Exchange losses/(gains), net	10	<b>20,573</b>	(7,399)
Written off of property, plant and equipment	10	<b>–</b>	7
Operating profit before working capital changes		<b>39,511</b>	41,913
Decrease/(increase) in loan receivables		<b>89,246</b>	(112,658)
Increase in trade receivables		<b>(912)</b>	(5,304)
Decrease in prepayments, deposits and other receivables		<b>3,364</b>	2,825
Decrease in accruals and other payables		<b>(1,106)</b>	(6,251)
Increase in amounts due to related companies		<b>490</b>	1,016
Cash generated from/(used in) operations		<b>130,593</b>	(78,459)
Income taxes refunded/(paid)		<b>2,049</b>	(27,353)
Net cash generated from/(used in) operating activities		<b>132,642</b>	(105,812)
<b>Cash flows from investing activities</b>			
Interest received		<b>312</b>	474
Dividend income received		<b>261</b>	214
Additions of an investment property		<b>–</b>	(229)
Purchases of finance assets at fair value through profit or loss		<b>(615)</b>	(3,135)
Purchases of property, plant and equipment		<b>(11)</b>	(52)
Proceeds from disposal of finance assets at fair value through profit or loss		<b>–</b>	5,502
Proceeds from disposal of property, plant and equipment		<b>13</b>	–
Net cash outflow in disposal of a subsidiary	33	<b>(193)</b>	–
Net cash (used in)/generated from investing activities		<b>(233)</b>	2,774

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from financing activities</b>			
Capital element of lease rentals paid	34	(2,497)	(3,375)
Interest element of lease rentals paid	34	(157)	(105)
Dividend paid to non-controlling interests		(5,228)	–
Net cash used in financing activities		(7,882)	(3,480)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>124,527</b>	<b>(106,518)</b>
Cash and cash equivalents at 1 January		40,204	146,099
Effect of foreign exchange rate changes		(17,412)	623
<b>Cash and cash equivalents at 31 December</b>		<b>147,319</b>	<b>40,204</b>
<b>Analysis of cash and cash equivalents</b>			
Bank and cash balances	27	147,319	40,204

The accompanying notes form part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Doyen International Holdings Limited (the “**Company**”) was incorporated in Hong Kong with limited liability. The address of its registered office and principal place of business is Suite 2206, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, 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 together with its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in investment property holding in the People’s Republic of China (the “**PRC**”), provision of financing to customers in the PRC and Hong Kong (the “**Dongkui business**”), investment holding, sales of flowers and plants and distressed assets management.

In the opinion of the directors of the Company, as at 31 December 2022, Money Success Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate parent; Wealthy In Investments Limited, a company incorporated in the BVI, is the ultimate parent and Mr. Lo Siu Yu (“**Mr. Lo**”) is the ultimate controlling party of the Company.

## 2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise individual Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKASs**”); and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3 ADOPTION OF AMENDED STANDARDS

### (a) Application of amendments to HKFRSs

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 ADOPTION OF AMENDED STANDARDS (CONTINUED)

### (b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

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

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

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

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 4 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment property and financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRSs 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 of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2022. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

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

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Business combination

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

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

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

### (c) Goodwill

Goodwill represents the excess of

- (i) the aggregate of fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or Groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount or purchased goodwill is included in the calculation of the profit or loss on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Foreign currency translation

#### (i) **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 Hong Kong dollars (“**HK\$**”), which is the Company's functional and presentation currency.

#### (ii) **Transactions and balances in each entity's financial statements**

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

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

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

#### (iii) **Translation on consolidation**

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Foreign currency translation (Continued)

#### (iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

### (e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Leasehold improvements	Over the term of the lease
Furniture, fixtures and equipment	4-5 years
Motor vehicles	5 years
Computer software	2 years

The residual values, useful lives and depreciation method 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 (see note 4(r)).

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

### (f) Investment property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

### (i) *As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 4(r)), except right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(f). Depreciation is charged on a straight-line basis over the shorter of the lease term and the asset's useful life.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Leased assets (Continued)

#### (i) **As a lessee** (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“**lease modification**”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases.

The Group presents right-of-use assets that do not meet the definition of investment property and presents lease liabilities separately in the statement of financial position.

#### (ii) **As a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 4(o).

### (h) Intangible assets (other than goodwill)

Intangible assets with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

### (i) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Recognition and derecognition of financial instruments (Continued)

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

### (j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### **Debt instruments**

Debt instruments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method.
- FVTOCI – recycling, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL, if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

#### **Equity investments**

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the instrument is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

### (l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### (m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 4(s)).

### (n) Accruals and other payables

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

### (o) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customers, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

#### (i) **Sale of goods**

Revenue is recognised when the customer accepts and takes the control of the products. Revenue represented the sales value of goods sold less returns, discounts, rebates and value added tax ("VAT").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Revenue and other income (Continued)

#### (ii) **Interest income**

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

#### (iii) **Government grants**

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same year in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue when there is reasonable assurance that they will be received.

#### (iv) **Rental income from operating leases**

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

#### (v) **Dividend income**

Dividend income from unlisted investment is recognised when the shareholder's rights to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

#### (vi) **Asset management fee income**

The Group earns management fee income from distressed assets management business which the Group provides to the customers. For services that are provided over a period of time, management fee income is accrued in accordance with the actual progress. For other services, management fee income is recognised when the transactions are completed.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Employee benefits

#### (i) **Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values

#### (ii) **Retirement benefit schemes**

The Group has various defined contribution plans in Hong Kong and the PRC for pensions and other social obligation in accordance with the local conditions and practices. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iii) **Termination benefits**

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment property is measured based on the expected manner as to how the property will be recovered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### (r) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (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 each reporting period.

### (s) Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represent the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Impairment of financial assets (Continued)

#### **Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Impairment of financial assets (Continued)

#### **Significant increase in credit risk** (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default;
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

#### **Definition of default**

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Impairment of financial assets (Continued)

#### **Credit-impaired financial assets**

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

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

#### **Write-off policy**

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of debt instruments, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### **Measurement and recognition of ECL**

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Impairment of financial assets (Continued)

#### **Measurement and recognition of ECL** (Continued)

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's estimation of probabilities of default to individual group;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The ECL model involves significant management judgements and assumptions regarding the probability of default, loss given default, collateral values, economic indicators on forward-looking information as well as other significant factors not covered in the ECL model, if applicable;
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### (t) Provisions and contingent liabilities

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

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

### (u) Related parties

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

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

### (v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 CRITICAL JUDGEMENTS AND KEY ESTIMATES

### (a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements:

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

ECL are measured as allowances equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

#### (ii) **Classification of finance leases**

Management determines whether an arrangement is, or contains, a finance lease based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or group of assets, and the arrangement conveys a right to use the assets.

Situations that would normally lead to a lease being classified as a finance lease include the following:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised.
- The lease term is for the major part of the economic life of the asset, even if title is not transferred.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

For sales and lease back transactions with repurchase options which are almost certain to be exercised and do not convey a right to use of the underlying assets, management judges that in substance these transactions are not in the scope of HKFRS 16 Leases, which instead are accounted for as financial instruments under HKFRS 9 Financial Instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

### (b) Key sources of estimation uncertainty

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

#### (i) **Fair value of investment property**

The Group appointed an independent qualified professional valuer to assess the fair value of the investment property. In determining the fair value, the valuer has utilised a valuation technique which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment property as at 31 December 2022 was approximately HK\$278,690,000 (2021: approximately HK\$335,364,000).

#### (ii) **Impairment losses allowances on loan receivables and trade receivables**

Since the adoption of HKFRS 9, management of the Group estimates the amounts of impairment losses for ECL on loan receivables and trade receivables based on the credit risk of loan receivables and trade receivables. The amounts of the impairment losses for ECL are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment losses may arise.

As at 31 December 2022, the carrying amount of loan receivables and trade receivables are approximately HK\$520,074,000 (2021: approximately HK\$657,678,000) (after impairment losses allowances of approximately HK\$9,449,000 (2021: approximately HK\$10,564,000)) and approximately HK\$11,037,000 (2021: approximately HK\$11,019,000) (after impairment losses allowances of approximately HK\$55,000 (2021: approximately HK\$55,000)) respectively.

#### (iii) **Recognition of deferred tax assets**

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the Group in which the deferred tax assets have been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each reporting date and to the extent that sufficient taxable profits will be available within the utilisation periods.

#### (iv) **Income taxes**

The Group is subject to income taxes mainly in the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, income tax of approximately HK\$3,105,000 (2021: approximately HK\$14,377,000) was charged to profit or loss based on the estimated profit from operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, equity price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of the Group entities, including Renminbi ("RMB") and United States Dollars ("US\$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's exposure at the end of the reporting period to foreign currency risk arising from recognised monetary assets and liabilities is as follows:

	Assets		Liabilities	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
RMB	461	3,021	10,622	11,527
US\$	343	343	–	–

As at 31 December 2022, if the HK\$ had weakened/strengthened 5% against the RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK\$508,000 higher/lower (2021: consolidated profit after tax for the year would have been approximately HK\$425,000 lower/higher).

As at 31 December 2022, the Group held certain financial assets which were denominated in US\$. The directors are of the opinion that the Group's exposure to US\$ foreign currency risk is minimal.

### (b) Equity price risk

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

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

As at 31 December 2022, if equity prices of the Group's financial assets at FVTPL had been 10% higher/lower with all other variables held constant, consolidated loss after tax for the year would have decrease/increased by approximately HK\$689,000 (2021: consolidated profit after tax for the year would have increased/decrease by approximately HK\$726,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to loan receivables, trade receivables, prepayments, deposits and other receivables, and bank balances.

In order to minimise the credit risk, the management of the Group has delegated officers responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the credit risk of each material individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for any irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

For prepayments, deposits and other receivables, the management makes periodic individual assessment on the recoverability of prepayments, deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 month expected credit losses. For the year ended 31 December 2022 and 2021, the Group assessed the expected credit losses for prepayments, deposits and other receivables are insignificant and thus no loss allowance is recognised.

Bank balances are placed with various authorised institutions. Accordingly, the management consider the credit risk on liquid funds is limited because the counterparties either state-owned banks located in the PRC or banks with high credit ratings.

The Group is also exposed to concentration of credit risk as 11% (2021: 11%) and 56% (2021: 52%) of the total loan receivables and trade receivables were due from the Group's largest customer and the Group's five largest customers respectively and all of the customers are located in the PRC.

The Group has the following types of financial assets that are subject to expected credit loss model:

- Trade receivables; and
- Loan receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the end of the reporting period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, which could include:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

### (a) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected credit loss provision for trade receivables which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2022		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	0.5%	11,092	55
		2021	
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	0.5%	11,074	55

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

#### (b) Loan receivables

The Group uses three categories for loan receivables which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers both historical loss rates and forward-looking macroeconomic data. For credit-impaired loan receivables, the Group also considers the values of the collateral pledged by the customers to the loan receivables. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Expected credit loss rate
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	0% – 2.5%
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses (not credit-impaired)	2.5% – 8.5%
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses (credit-impaired)	8.5% – 100%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

#### (b) Loan receivables (Continued)

The table below detail the credit risk exposures of loan receivables which are subject to ECL assessment:

12-month or lifetime ECLs	Gross carrying amount	
	2022 HK\$'000	2021 HK\$'000
12-month ECLs	500,861	637,147
Lifetime ECLs not credit-impaired	–	–
Lifetime ECLs credit-impaired	28,662	31,095
	<b>529,523</b>	<b>668,242</b>

The expected credit losses provision for loan receivables as at 31 December 2022 reconciles to the opening expected credit loss provision are as follows:

	12-month ECLs HK\$'000	Lifetime ECLs not credit- impaired HK\$'000	Lifetime ECLs credit- impaired HK\$'000	Total HK\$'000
At 1 January 2021	189	1,542	69,792	71,523
Changes due to financial instruments recognised as at 1 January 2021:				
– Amounts written off	–	–	(40,034)	(40,034)
– Transfer to 12-months ECLs	3,654	–	(3,654)	–
– Impairment losses for the year	–	–	2,976	2,976
– Reversal of impairment losses	(3,803)	(1,564)	(21,340)	(26,707)
New financial assets originated	1,594	–	–	1,594
Exchange differences	32	22	1,158	1,212
At 31 December 2021 and at 1 January 2022	<b>1,666</b>	<b>–</b>	<b>8,898</b>	<b>10,564</b>
Changes due to financial instruments recognised as at 1 January 2022:				
– Reversal of impairment losses	(1,582)	–	(36)	(1,618)
New financial assets originated	1,321	–	–	1,321
Exchange differences	(124)	–	(694)	(818)
At 31 December 2022	<b>1,281</b>	<b>–</b>	<b>8,168</b>	<b>9,449</b>

As at 31 December 2022, the Group's loans to customers of approximately HK\$525,158,000 (2021: approximately HK\$668,242,000) were secured by collaterals such as a property or trade receivables (2021: a property, plant and equipment or trade receivables) of the relevant customers. The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables. The Group considers the credit risk arising from credit-impaired loan receivables is significantly mitigated by the property held as collateral, with reference to the collateral value as at 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Within 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total undiscounted cash outflows HK\$'000	Carrying amounts HK\$'000
<b>At 31 December 2022</b>					
Accruals and other payables	26,413	–	–	26,413	26,413
Amounts due to related companies	1,429	–	–	1,429	1,429
Lease liabilities	1,936	1,761	701	4,398	4,230
<b>Total</b>	<b>29,778</b>	<b>1,761</b>	<b>701</b>	<b>32,240</b>	<b>32,072</b>
<b>At 31 December 2021</b>					
Accruals and other payables	29,712	–	–	29,712	29,712
Amounts due to related companies	1,035	–	–	1,035	1,035
Lease liabilities	1,307	175	–	1,482	1,456
<b>Total</b>	<b>32,054</b>	<b>175</b>	<b>–</b>	<b>32,229</b>	<b>32,203</b>

### (e) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to certain fixed-rate loan receivables and lease liabilities.

The Group's exposure to cash flow interest rate risk relates primarily to certain loan receivables and bank deposits held at variable rates varied with the then prevailing market conditions.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Interest rate risk (Continued)

The following table details the Group's interest-bearing financial assets and liabilities at variable rates and fixed rates as at the reporting date:

	2022 HK\$'000	2021 HK\$'000
<b>Variable rate financial assets</b>		
Loan receivables	–	2,199
Bank balances	<b>136,273</b>	29,413
<b>Fixed rate financial assets/(liabilities)</b>		
Loan receivables	<b>529,523</b>	666,043
Lease liabilities	<b>(4,230)</b>	(1,456)

As at 31 December 2022, if interest rates had been 25 basis points lower or reduced to zero, whichever is higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK\$254,000 higher (2021: consolidated profit after tax for the year would have been approximately HK\$54,000 lower). If interest rates had been 25 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been approximately HK\$256,000 lower (2021: consolidated profit after tax for the year would have been approximately HK\$60,000 higher).

### (f) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets:</b>		
Financial assets at FVTPL		
Listed equity securities – held for trading	<b>6,894</b>	7,262
Financial assets at amortised cost	<b>680,199</b>	710,689
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>32,072</b>	32,203

### (g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as at the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy:

### At 31 December 2022

Description	Fair value measurements using:			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurements:</b>				
<b>Financial assets</b>				
Financial assets at FVTPL				
Listed equity securities – held for trading	6,894	–	–	6,894

### At 31 December 2021

Description	Fair value measurements using:			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurements:</b>				
<b>Financial assets</b>				
Financial assets at FVTPL				
Listed equity securities – held for trading	7,262	–	–	7,262

For the year ended 31 December 2022, there were no transfers between level 1 and level 2, or transfers into or out of level 3 (2021: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 REVENUE

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2022 HK\$'000	2021 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of flowers and plants	38,963	70,284
Asset management fee income	–	360
	<b>38,963</b>	70,644
<b>Revenue from other sources</b>		
Rental income from investment property	9,721	12,042
Income from provision of financing	58,436	58,288
	<b>68,157</b>	70,330
	<b>107,120</b>	140,974

## 9 STAFF COSTS

	2022 HK\$'000	2021 HK\$'000
Salaries, bonuses and allowances	16,520	17,823
Retirement benefit scheme contributions (note)	470	621
	<b>16,990</b>	18,444

Note: Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

### Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2021: three) directors whose emoluments are reflected in the analysis presented in note 16. The emoluments of the remaining two (2021: two) individuals are set out below:

	2022 HK\$'000	2021 HK\$'000
Salaries, bonuses and allowances	1,063	2,159
Retirement benefit scheme contributions	217	348
	<b>1,280</b>	2,507

Their emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Nil to HK\$1,000,000	2	–
HK\$1,000,000 to HK\$1,500,000	–	2
	<b>2</b>	2

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10 OTHER GAINS AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Fair value losses on financial assets at FVTPL	(983)	(2,424)
Gain on disposals of financial assets at FVTPL	–	3,341
Gain on disposals of property, plant and equipment	13	–
Loss on disposal of a subsidiary	(235)	–
Written off of property, plant and equipment	–	(7)
Exchange (losses)/gains, net	(20,573)	7,399
	<b>(21,778)</b>	<b>8,309</b>

## 11 OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Dividend income from equity investments	261	214
Government grants (note)	192	3,348
Compensation income for termination of leases	963	150
Others	15	51
	<b>1,431</b>	<b>3,763</b>

Note: For the year ended 31 December 2022, the amount represented subsidies under the Employment Support Scheme in Hong Kong which the Group required to undertake not to implement redundancy during the subsidy period and to use the subsidy to pay wages of the employees, all conditions relating to these grants have been fulfilled. For the year ended 31 December 2021, the amount represented subsidies given by the government to the Group for the promotion of the loan financing industry. The grants were accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, they were recognised in profit or loss when the grants were received.

## 12 SEGMENT INFORMATION

Operating segments are identified and reported in the manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision-maker (the “CODM”) in order to assess performance and allocate resources. The CODM, has been defined as the executive directors who assess the performance of the operating segments based on the profit and loss generated.

The CODM reviews the business principally from an industry perspective and has identified four (2021: four) reportable segments. No operating segments have been aggregated to form the following reportable segments:

Investment property holding	– property investment and rental activities
Dongkui business	– provision of loan financing
Sales of flowers and plants	– selling of flowers, seedlings and plants
Distressed assets management	– provision of distressed assets management

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 SEGMENT INFORMATION (CONTINUED)

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

The operation of 重慶寶旭商業管理有限公司 (for identification purpose, Chongqing Baoxu Commercial Property Management Ltd. ("**Chongqing Baoxu**")) represents the operating and reportable segments of investment property holding and sales of flowers and plants.

The operations of 東葵融資租賃(上海)有限公司 (for identification purpose, Dongkui Financial Leasing (Shanghai) Co. Ltd. ("**Shanghai Dongkui**")) and 東銳商業保理(上海)有限公司 (for identification purpose, Dongrui Factoring (Shanghai) Ltd. ("**Shanghai Dongrui**")) represent the operating and reportable segment of Dongkui business.

The operation of Shanghai Dongkui represents the operating and reportable segment of distressed assets management.

The measure used for reporting segment (loss)/profit is "(loss)/profit after tax".

Information about operating segment profit or loss, assets and liabilities:

	Investment property holding HK\$'000	Dongkui business HK\$'000	Sales of flowers and plants HK\$'000	Distressed assets management HK\$'000	Total HK\$'000
<b>Year ended 31 December 2022</b>					
<b>Disaggregated by timing of revenue recognition</b>					
Point in time	-	-	38,963	-	38,963
Over time	9,721	58,436	-	-	68,157
Reportable segment revenue	9,721	58,436	38,963	-	107,120
Purchases	-	-	(37,713)	-	(37,713)
Staff costs	(1,137)	(3,505)	(452)	(2,279)	(7,373)
Depreciation of property, plant and equipment	(6)	(3)	-	(14)	(23)
Depreciation of right-of-use assets	-	(377)	-	(521)	(898)
Fair value losses on investment property	(31,377)	-	-	-	(31,377)
Reversal of impairment losses on loan receivables, net of recognised	-	298	-	-	298
Impairment losses on trade receivables	(5)	-	-	-	(5)
Loss on disposal of a subsidiary	-	(235)	-	-	(235)
Other income	968	11	-	-	979
Finance income	-	209	-	10	219
Finance costs	-	(51)	-	(5)	(56)
Income tax credit/(expenses)	6,610	(11,990)	-	-	(5,380)
Reportable segment (loss)/profit after tax	(20,453)	41,601	605	(3,293)	18,460
<b>At 31 December 2022</b>					
Reportable segment assets	312,190	641,476	11,037	33	964,736
Reportable segment liabilities	(10,436)	(11,055)	-	-	(21,491)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 SEGMENT INFORMATION (CONTINUED)

Information about operating segment profit or loss, assets and liabilities: (Continued)

	Investment property holding HK\$'000	Dongkui business HK\$'000	Sales of flowers and plants HK\$'000	Distressed assets management HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>					
<b>Disaggregated by timing of revenue recognition</b>					
Point in time	–	–	70,284	–	70,284
Over time	12,042	58,288	–	360	70,690
Reportable segment revenue	12,042	58,288	70,284	360	140,974
Purchases	–	–	(68,531)	–	(68,531)
Staff costs	(1,830)	(2,711)	(24)	(4,409)	(8,974)
Depreciation of property, plant and equipment	(4)	(15)	–	(25)	(44)
Depreciation of right-of-use assets	–	(408)	–	(1,238)	(1,646)
Fair value gains on investment property	15,822	–	–	–	15,822
Reversal of impairment losses on loan receivables, net of recognised	–	22,137	–	–	22,137
Impairment losses on trade receivables	(27)	–	–	–	(27)
Impairment losses on goodwill	–	–	–	(2,078)	(2,078)
Written off of property, plant and equipment	–	(7)	–	–	(7)
Other income	151	3,395	–	–	3,546
Finance income	84	286	–	58	428
Finance costs	–	(10)	–	(46)	(56)
Income tax expenses	(2,529)	(13,266)	–	–	(15,795)
Reportable segment profit/(loss) after tax	19,262	65,323	1,185	(9,046)	76,724
<b>At 31 December 2021</b>					
Reportable segment assets	363,199	683,535	11,019	4,323	1,062,076
Reportable segment liabilities	(13,990)	(5,542)	–	(1,196)	(20,728)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 SEGMENT INFORMATION (CONTINUED)

Reconciliations of segment revenue and profit or loss:

	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments and consolidated revenue	<b>107,120</b>	140,974
<b>Profit or loss</b>		
Total profit of reportable segments after tax	<b>18,460</b>	76,724
Unallocated amounts:		
Staff costs	<b>(9,617)</b>	(9,470)
Depreciation of right-of-use assets	<b>(1,537)</b>	(1,618)
Impairment losses on loan receivable	<b>(1)</b>	–
Fair value losses on financial assets at FVTPL	<b>(983)</b>	(2,424)
Gain on disposals of financial assets at FVTPL	<b>–</b>	3,341
Gain on disposals of property, plant and equipment	<b>13</b>	–
Exchange (losses)/gains, net	<b>(20,573)</b>	7,399
Other income	<b>452</b>	217
Finance income	<b>93</b>	46
Finance costs	<b>(101)</b>	(49)
Other corporate expenses	<b>(4,705)</b>	(5,192)
Consolidated (loss)/profit after tax	<b>(18,499)</b>	68,974

Reconciliations of segment assets and liabilities:

	2022 HK\$'000	2021 HK\$'000
<b>Assets</b>		
Total assets of reportable segments	<b>964,736</b>	1,062,076
Unallocated assets:		
Right-of-use assets	<b>3,484</b>	736
Intangible assets	<b>7,096</b>	7,096
Financial assets at FVTPL	<b>6,894</b>	7,262
Bank and cash balances	<b>5,231</b>	8,433
Other assets	<b>17,090</b>	1,952
Consolidated total assets	<b>1,004,531</b>	1,087,555

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 SEGMENT INFORMATION (CONTINUED)

Reconciliations of segment assets and liabilities: (Continued)

	2022 HK\$'000	2021 HK\$'000
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>21,491</b>	20,728
Unallocated liabilities:		
Current tax liabilities	<b>25,097</b>	26,436
Other liabilities	<b>17,390</b>	17,268
Consolidated total liabilities	<b>63,978</b>	64,432

Other information:

	Investment property holding HK\$'000	Dongkui business HK\$'000	Sales of flowers and plants HK\$'000	Distressed assets management HK\$'000	Total HK\$'000
<b>Year ended 31 December 2022</b>					
Additions to non-current assets (note)					
Allocated	5	1,130	-	-	1,135
Unallocated					4,286
					<b>5,421</b>
	Investment property holding HK\$'000	Dongkui business HK\$'000	Sales of flowers and plants HK\$'000	Distressed assets management HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>					
Additions to non-current assets (note)					
Allocated	235	-	-	46	281
Unallocated					443
					<b>724</b>

Note: Non-current assets excluded deferred tax assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 SEGMENT INFORMATION (CONTINUED)

Geographical information:

All the revenue generated by the Group for the two years ended 31 December 2022 and 2021 were attributable to customers based in the PRC. In addition, the majority of the Group's non-current assets are located in the PRC. Accordingly, no geographical analysis is presented.

Revenue from a major customer:

	2022 HK\$'000	2021 HK\$'000
Sales of flowers and plants		
Customer a	<b>38,963</b>	70,284

Major customer represents external customer who account for 10% or more of the revenue of the Group.

## 13 FINANCE INCOME AND COSTS

	2022 HK\$'000	2021 HK\$'000
Finance income		
Interest income on bank deposits	<b>312</b>	474
Finance costs		
Interest on lease liabilities	<b>(157)</b>	(105)
Finance income – net	<b>155</b>	369

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2022 HK\$'000	2021 HK\$'000
Current tax		
PRC Enterprise Income Tax ("EIT")		
– Provision for the year	14,115	5,329
– Over-provision in prior years	–	(2,042)
Withholding tax on distributed profits from a subsidiary		
– Provision for the year	958	–
– Over-provision in prior years	(2,049)	(1,807)
	<b>13,024</b>	1,480
Deferred tax (note 31)	<b>(9,919)</b>	12,897
Income tax expense	<b>3,105</b>	14,377

No provision for Hong Kong Profits Tax is made since the Group has no assessable profits for the years ended 31 December 2022 and 2021.

PRC EIT has been provided at a rate of 25% (2021: 25%).

Under the PRC EIT law, dividends received by foreign investors from investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax of 5% to 10% unless reduced by treaty. Accordingly, deferred tax has been recognised for undistributed retained profits of PRC subsidiaries at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

The reconciliation between the income tax expense and the accounting (loss)/profit before tax at the applicable tax rates is as follows:

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit before tax	<b>(15,394)</b>	83,351
Tax at the applicable tax rates in the jurisdictions concerned	<b>(1,533)</b>	20,298
Tax effect of income that is not taxable	<b>(1,536)</b>	(5,379)
Tax effect of expenses that are not deductible	<b>9,186</b>	6,091
Tax effect of temporary differences not recognised	<b>(737)</b>	(3,173)
Over-provision in prior years	<b>(2,049)</b>	(3,849)
Deferred tax on undistributed profits of a PRC subsidiary	<b>(1,184)</b>	389
Withholding tax on distributed profits from a subsidiary	<b>958</b>	–
Income tax expense	<b>3,105</b>	14,377

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 (LOSS)/PROFIT FOR THE YEAR

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

	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration	1,700	1,700
Direct operating expenses of investment property that generate rental income	4,326	3,998

## 16 BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

### For the year ended 31 December 2022

Name of director	Directors' fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Estimated money value of other benefits HK\$'000 (note (j))	Employer's contribution to retirement benefit scheme HK\$'000	Total HK\$'000
<b>Executive directors</b>						
Mr. Lo Siu Yu	-	1,440	-	706	18	2,164
Mr. Tai Xing	-	1,743	398	563	225	2,929
Mr. Cho Chun Wai	-	1,104	224	119	18	1,465
<b>Non-executive directors</b>						
Mr. Pan Chuan	120	-	-	-	-	120
Ms. Sun Lin (note (iii))	60	-	-	-	-	60
Ms. Luo Shaoying (note (ii))	-	-	-	-	-	-
<b>Independent non-executive directors</b>						
Mr. Chan Ying Kay	120	-	-	-	-	120
Mr. Wang Jin Ling	120	-	-	-	-	120
Mr. Leung Kin Hong	120	-	-	-	-	120
<b>Total for 2022</b>	<b>540</b>	<b>4,287</b>	<b>622</b>	<b>1,388</b>	<b>261</b>	<b>7,098</b>

Mr. Tai Xing is also the CEO of the Company. His emoluments disclosed above include those for services rendered by him as the CEO.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

For the year ended 31 December 2021

Name of director	Directors' fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Estimated money value of other benefits HK\$'000 (note (i))	Employer's contribution to retirement benefit scheme HK\$'000	Total HK\$'000
<b>Executive directors</b>						
Mr. Lo Siu Yu	-	1,440	-	793	18	2,251
Mr. Tai Xing	-	1,634	200	622	140	2,596
Mr. Cho Chun Wai	-	1,004	231	238	18	1,491
<b>Non-executive directors</b>						
Ms. Luo Shaoying	-	-	-	-	-	-
Mr. Pan Chuan	120	-	-	-	-	120
<b>Independent non-executive directors</b>						
Mr. Chan Ying Kay	120	-	-	-	-	120
Mr. Wang Jin Ling	120	-	-	-	-	120
Mr. Leung Kin Hong	120	-	-	-	-	120
<b>Total for 2021</b>	<b>480</b>	<b>4,078</b>	<b>431</b>	<b>1,653</b>	<b>176</b>	<b>6,818</b>

Note:

- (i) Estimated money values of other benefits include rent paid and family education allowances.
- (ii) Resigned on 4 July 2022.
- (iii) Appointed on 4 July 2022.

Neither the CEO nor any of the directors waived any emoluments and received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17 DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

## 18 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following:

	2022 HK\$'000	2021 HK\$'000
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per share (loss)/profit for the year attributable to owners of the Company	<b>(17,317)</b>	54,185
	2022 '000	2021 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>1,274,039</b>	1,274,039

No diluted (loss)/earnings per share for the both years ended 31 December 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Computer software HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2021	164	215	2,517	–	2,896
Additions	–	22	–	30	52
Written off	–	(66)	–	–	(66)
Exchange differences	5	6	–	1	12
At 31 December 2021 and 1 January 2022	<b>169</b>	<b>177</b>	<b>2,517</b>	<b>31</b>	<b>2,894</b>
Additions	–	11	–	–	11
Disposals	–	–	(1,758)	–	(1,758)
Disposal of a subsidiary (note 33)	–	(43)	–	(30)	(73)
Exchange differences	(13)	(13)	–	(1)	(27)
At 31 December 2022	<b>156</b>	<b>132</b>	<b>759</b>	<b>–</b>	<b>1,047</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	164	148	2,517	–	2,829
Charge for the year	–	32	–	12	44
Written off	–	(59)	–	–	(59)
Exchange differences	5	4	–	1	10
At 31 December 2021 and 1 January 2022	<b>169</b>	<b>125</b>	<b>2,517</b>	<b>13</b>	<b>2,824</b>
Charge for the year	–	16	–	7	23
Eliminated on disposals	–	–	(1,758)	–	(1,758)
Eliminated on disposal of a subsidiary (note 33)	–	(20)	–	(20)	(40)
Exchange differences	(13)	(10)	–	–	(23)
At 31 December 2022	<b>156</b>	<b>111</b>	<b>759</b>	<b>–</b>	<b>1,026</b>
<b>Carrying amount</b>					
At 31 December 2022	<b>–</b>	<b>21</b>	<b>–</b>	<b>–</b>	<b>21</b>
At 31 December 2021	–	52	–	18	70

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 INVESTMENT PROPERTY

	2022 HK\$'000	2021 HK\$'000
At 1 January	335,364	308,880
Additions	–	229
Fair value (losses)/gains	(31,377)	15,822
Exchange differences	(25,297)	10,433
At 31 December	278,690	335,364

The Group's investment property represents a shopping mall in the PRC. The Group's investment property held under operating lease for rental purposes is measured using fair value model. The fair value as at 31 December 2022 was based on a valuation carried out by HG Appraisal & Consulting Limited, an independent qualified professional valuer with substantial experience in valuation of properties. The Group has a discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed. The valuation was derived using the income capitalisation approach. The valuation is based on the capitalisation of the current rental income and reversionary income potential by adopting appropriate term/reversionary yields, which are derived from analysis of sales transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings within the subject property and other comparable properties.

The valuation of the Group's investment property is a level 3 fair value measurement. Details of the unobservable inputs in determining the valuation as at 31 December 2022 are as follows:

Unobservable inputs	Range	Effect on fair value for increase of inputs
Long term vacancy rate	15% (2021: 10%)	Decrease
Monthly market rent per sq. m.	RMB37 to RMB253 (2021: RMB38 to RMB256)	Increase
Capitalisation rate	5.5% to 6% (2021: 5.25% to 5.75%)	Decrease

The consistent valuation technique was applied for the years ended 31 December 2022 and 2021.

## 21 INTANGIBLE ASSETS

The intangible assets represent club memberships with indefinite useful lives. The directors of the Company are of the opinion that the Group will continue to hold the club memberships and has the ability to do so. The club memberships have been tested for impairment in the year by reference to second hand market values and no impairment loss has been identified for the current or prior year. There have been no movements for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 GOODWILL

	2022 HK\$'000	2021 HK\$'000
Cost	–	2,116
Less: Impairment losses	–	(2,116)
Net carrying amount	–	–

Movements of net carrying amounts during the year were as following:

	2022 HK\$'000	2021 HK\$'000
Net carrying amount as at 1 January	–	2,049
Disposal of a subsidiary	(2,011)	–
Eliminate impairment losses on disposal	2,011	–
Impairment losses recognised in the year	–	(2,078)
Exchange differences	–	29
Net carrying amount as at 31 December	–	–

For the purposes of impairment testing of goodwill, management allocated goodwill to the Group's cash-generating units ("CGUs") identified. At the end of prior year the carrying amount of goodwill was allocated to distressed assets management. During the year, the goodwill and corresponding accumulated impairment losses were derecognised upon the disposal of a subsidiary. Details of the disposal are set out in note 33.

The recoverable amount of the CGU had been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management for the year ended 31 December 2021.

Goodwill of approximately RMB1,724,000 (equivalent to approximately HK\$2,116,000) had been allocated to the CGU of the subsidiary for the year ended 31 December 2021 for impairment testing. Management performed an impairment assessment on the goodwill prior to the year end. The recoverable amount of the subsidiary was determined based on value-in-use calculation.

The following table sets forth each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

	2021
Revenue growth rate during the forecast period	4.0%
Terminal growth rate	3.0%
Pre-tax discount rate	13.0%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 GOODWILL (CONTINUED)

Management had determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approach used to determine values
Revenue growth rate for next 5 years	Revenue growth rate is for the five-year forecast period. It is based on past performance and management's expectations of market development.
Terminal growth rate	A terminal value related to cash flows beyond the projection period extrapolated at an estimated terminal growth rate.
Pre-tax discount rate	The discount rate reflects specific risks relating to the relevant CGUs in which they operate.

Based on management's assessment on the recoverable amount of the subsidiary as at 31 December 2021, an impairment loss of approximately RMB1,724,000 (equivalent to approximately HK\$2,078,000) was recognised.

## 23 LOAN RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Loan receivables	529,523	668,242
Less: Loss allowances	(9,449)	(10,564)
	<b>520,074</b>	657,678
Analysis as:		
Non-current portion	–	–
Current portion	520,074	657,678
	<b>520,074</b>	657,678

As at 31 December 2022, the Group's loans to customers of approximately HK\$525,158,000 (2021: approximately HK\$668,242,000) were secured by collaterals such as a property or trade receivables (2021: a property, plant and equipment or trade receivables) of the relevant customers and repayable by instalments within two (2021: three) years from the draw-down dates. The effective interest rate on such loans ranged from 8.0% to 15.4% (2021: 10.0% to 15.4%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 LOAN RECEIVABLES (CONTINUED)

Ageing analysis is prepared based on contractual due date:

	Loan portion HK\$'000	2022 Interest portion HK\$'000	Total HK\$'000	Loan portion HK\$'000	2021 Interest portion HK\$'000	Total HK\$'000
Within one month	20,217	277	20,494	62,061	321	62,382
One to three months	4,299	65	4,364	-	-	-
Three to six months	35,984	2,429	38,413	45,426	3,431	48,857
Over six months but within one year	448,997	7,806	456,803	538,741	7,698	546,439
	<b>509,497</b>	<b>10,577</b>	<b>520,074</b>	<b>646,228</b>	<b>11,450</b>	<b>657,678</b>

The movements in the loss allowances of loan receivables are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	10,564	71,523
Amounts written off	-	(40,034)
Reversal of impairment losses for the year, net of recognised	(297)	(22,137)
Exchange differences	(818)	1,212
At 31 December	<b>9,449</b>	<b>10,564</b>

Details on Group's credit policy are set out in note 6(c).

## 24 TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	11,092	11,074
Less: Loss allowances	(55)	(55)
	<b>11,037</b>	<b>11,019</b>

All of the trade receivables are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade receivables, based on invoice date and net of loss allowance, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within one month	<b>11,037</b>	<b>11,019</b>

Trade receivables are due within 30 (2021: 30) days from the day of the customer accepts and takes the control of the products. Further details on the Group's credit policy are set out in note 6(c).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowances of trade receivables are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	55	27
Loss allowances for the year, net	5	27
Exchange differences	(5)	1
At 31 December	55	55

## 25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Accrued rent receivables	68	3,366
Deposits	406	872
Prepayments	648	1,586
Other receivables	1,363	916
	2,485	6,740

## 26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Equity securities, listed in Hong Kong held for trading	6,894	7,262

## 27 BANK AND CASH BALANCES

As at 31 December 2022, the bank and cash balances total of the Group denominated in RMB amounted to approximately HK\$142,545,000 (2021: approximately HK\$34,789,000). 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.

## 28 ACCRUALS AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Accrued expenses	3,419	4,638
Other payables	6,642	7,965
Other tax payables	16,352	17,109
	26,413	29,712

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 AMOUNTS DUE TO RELATED COMPANIES

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

## 30 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Carrying amount of right-of-use assets by class of underlying asset:

	2022 HK\$'000	2021 HK\$'000
Leased properties	3,469	1,401
Motor vehicle	772	–
	<b>4,241</b>	1,401

The movements of right-of-use assets were as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	1,401	4,178
Additions	5,410	443
Disposal of a subsidiary	(101)	–
Depreciation charge for the year	(2,435)	(3,264)
Exchange differences	(34)	44
At 31 December	<b>4,241</b>	1,401
Total cash outflow for leases	<b>2,654</b>	3,480

For the year ended 31 December 2022, the Group leases offices, a director's quarter and a motor vehicle (2021: offices and a director's quarter) for its operations. Lease contracts are entered into for fixed term of 2 years to 54 months (2021: 2 to 3 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. None of the leases includes variable lease payments.

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	1,830	1,284
After 1 year but within 2 years	1,713	172
After 2 years but within 5 years	687	–
	<b>4,230</b>	1,456
Analyse as:		
– Current portion	1,830	1,284
– Non-current portion	2,400	172
	<b>4,230</b>	1,456

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group:

### Deferred tax liabilities

	Accrued rental HK\$'000	Undistributed profits of a PRC subsidiary HK\$'000	Total HK\$'000
At 1 January 2021	(2,217)	(2,121)	(4,338)
Credit/(charge) to profit or loss (note 14)	855	(389)	466
Exchange differences	(58)	(77)	(135)
At 31 December 2021 and 1 January 2022	<b>(1,420)</b>	<b>(2,587)</b>	<b>(4,007)</b>
Credit to profit or loss (note 14)	<b>926</b>	<b>1,184</b>	<b>2,110</b>
Exchange differences	<b>83</b>	<b>167</b>	<b>250</b>
At 31 December 2022	<b>(411)</b>	<b>(1,236)</b>	<b>(1,647)</b>

### Deferred tax assets

	Revaluation of investment property HK\$'000	Loss allowances on loan receivables HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2021	14,041	17,881	1,314	33,236
(Charge)/credit to profit or loss (note 14)	(1,614)	(15,543)	3,794	(13,363)
Exchange differences	433	303	112	848
At 31 December 2021 and 1 January 2022	<b>12,860</b>	<b>2,641</b>	<b>5,220</b>	<b>20,721</b>
Credit/(charge) to profit or loss (note 14)	<b>7,844</b>	<b>(74)</b>	<b>39</b>	<b>7,809</b>
Exchange differences	<b>(1,242)</b>	<b>(204)</b>	<b>(410)</b>	<b>(1,856)</b>
At 31 December 2022	<b>19,462</b>	<b>2,363</b>	<b>4,849</b>	<b>26,674</b>

At the end of the reporting period, the Group has unused tax losses of approximately HK\$104,429,000 (2021: approximately HK\$104,429,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses are subject to the final approval by the Inland Revenue Department in Hong Kong and can be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$737,000 (2021: approximately HK\$3,173,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SHARE CAPITAL AND RESERVES

### (a) Share capital

	2022		2021	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid	1,274,039	1,174,378	1,274,039	1,174,378

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### (b) Nature and purpose of reserves

#### (i) Merger reserve

Merger reserve was set up upon accounting for common control combinations, on elimination of the share capital of the subsidiaries against the related investment costs.

#### (ii) Exchange reserve

The exchange 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 policies set out in note 4(d) to the consolidated financial statements.

#### (iii) Statutory reserve

According to the relevant rules and regulations in the PRC, subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

#### (iv) Other reserves

Other reserves mainly comprised the loss of acquisition of a subsidiary in prior years.

### (c) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as amounts due to related companies and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SHARE CAPITAL AND RESERVES (CONTINUED)

### (c) Capital management (Continued)

The gearing ratio as at 31 December 2022 and 2021 was as follows:

	2022 HK\$'000	2021 HK\$'000
Lease liabilities (note 30)	4,230	1,456
Amounts due to related companies (note 29)	1,429	1,035
Less: Cash and cash equivalents (note 27)	<b>(147,319)</b>	(40,204)
	<b>(141,660)</b>	(37,713)
Net debt (note)	–	–
Total equity	<b>940,553</b>	1,023,123
Total capital	<b>940,553</b>	1,023,123
Gearing ratio	<b>N/A</b>	N/A

Note: Net debt is zero when the cash and cash equivalents is higher than gross debt.

The externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 DISPOSAL OF A SUBSIDIARY

On 10 May 2022, a subsidiary of the Company, Shanghai Dongkui, entered into a sale and purchase agreement with an independent third party and one of the director of 安信萬邦資產管理有限公司 (for identification purpose, Anxin Wanbang Asset Management Co., Ltd. (“Anxin Wanbang”)), to dispose of 100% equity interest in Anxin Wanbang at a consideration of RMB100,000 (equivalent to approximately HK\$118,000). The disposal was completed on 8 June 2022.

### The net liabilities of Anxin Wanbang at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment (note 19)	33
Right-of-use assets (note 30)	101
Prepayments, deposits and other receivables	638
Bank and cash balances	287
Accruals and other payables	(999)
Lease liabilities	(104)
Net liabilities disposed of	<u>(44)</u>

### Loss on disposal of a subsidiary:

	HK\$'000
Consideration received and receivable	118
Reclassification of cumulative exchange reserve upon disposal of a subsidiary to profit or loss	(397)
Net liabilities disposed of	<u>44</u>
	<u>(235)</u>

### Consideration received and receivable:

	HK\$'000
Cash received	94
Other receivable	24
	<u>118</u>

### Net cash outflow arising on disposal:

	HK\$'000
Cash consideration received	94
Less: Bank and cash balances disposed of	(287)
	<u>(193)</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<b>Lease liabilities (Note 30) HK\$'000</b>
At 1 January 2021	4,344
Increase in lease liabilities from entering into a new lease during the year	443
Interest on lease liabilities	105
Capital element of lease rentals paid	(3,375)
Interest element of lease rentals paid	(105)
Exchange differences	44
At 31 December 2021 and 1 January 2022	<b>1,456</b>
Increase in lease liabilities from entering into new leases during the year	<b>5,410</b>
Disposal of a subsidiary (note 33)	<b>(104)</b>
Interest on lease liabilities	<b>157</b>
Capital element of lease rentals paid	<b>(2,497)</b>
Interest element of lease rentals paid	<b>(157)</b>
Exchange differences	<b>(35)</b>
At 31 December 2022	<b>4,230</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 35 LEASE COMMITMENTS

The Group as lessor

The Group leases out its investment property under operating leases. The leases typically run for an initial period of 15 months to 6 years. None of the leases includes contingent rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	2,771	4,073

## 36 MATERIAL RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related party:

### (a) Transactions with related parties

		2022 HK\$'000	2021 HK\$'000
Name of related party	Nature of transactions		
重慶新東原物業管理有限公司 (for identification purpose, Chongqing New Dowell Property Management Ltd.) (note)	Property management fees paid to a related company	82	164

### (b) Key management personnel remuneration

The remuneration paid or payable to key management personnel is as follows:

	2022 HK\$'000	2021 HK\$'000
Short-term benefits	9,784	9,572
Post-employment benefits	126	132
	<b>9,910</b>	<b>9,704</b>

As at 31 December 2022, included in accruals and other payables was an amount of approximately HK\$180,000 (2021: Nil) being accrued directors' emoluments which are unsecured, interest-free and settled in cash.

Note: Chongqing New Dowell Property Management Ltd. ("**Dowell Property Management**") is considered as a related company of the Group as Mr. Lo and his spouse has interest in Dowell Property Management.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

## 38 STATEMENT OF FINANCIAL POSITION FOR THE COMPANY

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Right-of-use assets		2,546	349
Intangible assets		7,096	7,096
Investments in subsidiaries		298,960	298,960
		<b>308,602</b>	306,405
<b>Current assets</b>			
Loan receivables		4,364	–
Prepayments, deposits and other receivables		758	855
Amounts due from subsidiaries		260,118	274,295
Bank and cash balances		2,587	3,824
		<b>267,827</b>	278,974
<b>Current liabilities</b>			
Accruals and other payables		12,668	13,880
Amounts due to subsidiaries		165,724	174,474
Lease liabilities		1,125	381
Current tax liabilities		15,722	17,061
		<b>195,239</b>	205,796
<b>Net current assets</b>		<b>72,588</b>	73,178
<b>Total assets less current liabilities</b>		<b>381,190</b>	379,583
<b>Non-current liabilities</b>			
Lease liabilities		1,443	–
<b>NET ASSETS</b>		<b>379,747</b>	379,583
<b>Capital and reserve</b>			
Share capital	32	1,174,378	1,174,378
Accumulated losses	38(b)	(794,631)	(794,795)
<b>TOTAL EQUITY</b>		<b>379,747</b>	379,583

Approved by the Board of Directors on 22 March 2023 and are signed on its behalf by:

**Lo Siu Yu**  
Director

**Tai Xing**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 STATEMENT OF FINANCIAL POSITION FOR THE COMPANY (CONTINUED)

(a) A list of the Company's principal subsidiaries is shown in note 39 to the consolidated financial statements.

(b) Reserve movement of the Company

	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 January 2021</b>	(876,953)	(876,953)
Total comprehensive income for the year	82,158	82,158
<b>At 31 December 2021 and 1 January 2022</b>	<b>(794,795)</b>	<b>(794,795)</b>
Total comprehensive income for the year	164	164
<b>At 31 December 2022</b>	<b>(794,631)</b>	<b>(794,631)</b>

## 39 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Place of incorporation or registration/operation and kind of legal entity	Issued and paid up capital	Percentage of ownership interest/voting power		Principal activities
			Direct	Indirect	
Money Success Corporate Management Limited	Hong Kong, limited liability company	Ordinary HK\$10,000	–	100%	Provision of management services in Hong Kong
Money Success Business Management Limited	Hong Kong, limited liability company	Ordinary HK\$10,000	–	100%	Provision of management services in Hong Kong
Chongqing Baoxu Commercial Property Management Ltd. $\Delta$	The PRC, sino-foreign equity joint venture	RMB350,000,000	–	70% (ownership interest)/66.67% (voting power)	Investment property holding and sales of flowers and plants in the PRC
Dongkui Financial Leasing (Shanghai) Co. Ltd. $\Delta$	The PRC, sino-foreign equity joint venture	US\$51,300,000	–	77.58%	Provision of financing to customers in the PRC
Dongrui Factoring (Shanghai) Ltd. $\Delta$	The PRC, limited liability company (solely invested by foreign owned enterprise)	RMB50,000,000	–	77.58%	Provision of financing to customers in the PRC

$\Delta$  English translation of the name is for identification purpose only.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 PRINCIPAL SUBSIDIARIES (CONTINUED)

The following table shows information on the subsidiaries that have non-controlling interests (“NCI”) material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	Chongqing Baoxui		Shanghai Dongkui	
	2022	2021	2022	2021
Principal place of business	<b>The PRC</b>	The PRC	<b>The PRC</b>	The PRC
% of ownership interests/voting rights held by NCI	<b>30%/ 33.33%</b>	30%/ 33.33%	<b>22.42%/ 22.42%</b>	22.42%/ 22.42%
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>At 31 December:</b>				
Non-current assets	<b>298,162</b>	348,235	<b>7,980</b>	8,584
Current assets	<b>25,065</b>	25,983	<b>645,211</b>	679,274
Non-current liabilities	<b>(411)</b>	(1,420)	<b>(416)</b>	–
Current liabilities	<b>(17,941)</b>	(21,159)	<b>(273,028)</b>	(274,280)
Net assets	<b>304,875</b>	351,639	<b>379,747</b>	413,578
Accumulated NCI	<b>91,463</b>	105,492	<b>85,139</b>	92,724
<b>Year ended 31 December:</b>				
Revenue	<b>48,684</b>	82,326	<b>58,371</b>	58,648
(Loss)/profit for the year	<b>(19,848)</b>	20,447	<b>21,298</b>	38,619
Other comprehensive (expenses)/income	<b>(26,916)</b>	10,888	<b>(31,809)</b>	12,745
Dividend paid	–	–	<b>(23,320)</b>	–
Total comprehensive (expenses)/income	<b>(46,764)</b>	31,335	<b>(33,831)</b>	51,364
(Loss)/profit allocated to NCI	<b>(5,954)</b>	6,134	<b>4,775</b>	8,658
Other comprehensive (expenses)/income allocated to NCI	<b>(8,075)</b>	3,266	<b>(7,132)</b>	2,857
Dividend paid to NCI	–	–	<b>(5,228)</b>	–
Total comprehensive (expenses)/income allocated to NCI	<b>(14,029)</b>	9,400	<b>(7,585)</b>	11,515
Net cash generated from/(used in) operating activities	<b>3,183</b>	(4,071)	<b>171,189</b>	(112,231)
Net cash (used in)/generated from investing activities	<b>(5)</b>	8,435	<b>31</b>	14,630
Net cash used in financing activities	–	–	<b>(24,269)</b>	(56)
Net increase/(decrease) in cash and cash equivalents	<b>3,178</b>	4,364	<b>146,951</b>	(97,657)

## 40 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year’s presentation.

# GROUP PROPERTY

## MAJOR PROPERTY HELD FOR INVESTMENT

<b>Location</b>	<b>Existing use</b>	<b>Term of lease</b>
Shopping Mall-Dong Dong Mall No.2 Second Lane, Nanping East Road, Nanan District, Chongqing City, The People's Republic of China	Commercial	Medium

# FIVE-YEAR FINANCIAL INFORMATION

## RESULTS

	For the year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	<b>107,120</b>	140,974	103,759	33,202	30,959
(Loss)/profit attributable to owners of the Company	<b>(17,317)</b>	54,185	114,552	(79,691)	17,053

## ASSETS AND LIABILITIES

	At 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Assets and liabilities					
Total assets	<b>1,004,531</b>	1,087,555	1,029,038	1,025,142	1,207,562
Total liabilities	<b>63,978</b>	64,432	98,383	234,881	319,241
Net assets	<b>940,553</b>	1,023,123	930,655	790,261	888,321
Non-controlling interests	<b>176,534</b>	198,247	177,342	184,794	194,207
Capital and reserves					
Equity attributable to owners of the Company	<b>764,019</b>	824,876	753,313	605,467	694,114