



CASH Financial Services Group Limited
(Stock Code : 510)

2022



ANNUAL REPORT



Empower Your Wealth with Our Talent

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COMPANY PROFILE

CFSG – Culture of Excellence

Headquartered and listed in Hong Kong (SEHK: 510), CASH Financial Services Group (“CFSG”) has been dedicated to managing wealth and asset inheritance for our clients over the past 50 years. Our culture of excellence drives our ongoing focus on sustainable growth, integrity and innovation, serving a diversified client base that includes corporations, financial institutions and individual investors.

Full-Licensed Operations, Providing Comprehensive Financial and Wealth Management Services

Established in 1972, CFSG is one of few full-licensed Hong Kong financial services institutions currently holding SFC Type 1, 2, 4 and 9 licenses. Providing comprehensive financial and wealth management services, CFSG is also a licensed money lender in Hong Kong, a licensed insurance broker registered with the Hong Kong Insurance Authority, a licensed Trust or Company Service Provider, and a Principal Intermediary registered with the Hong Kong Mandatory Provident Fund Authority.

From Hong Kong’s Firm Foothold into Mainland China and Worldwide

CFSG is branching out beyond firm foundations in Hong Kong to extend global reach and embrace historic opportunity in China. Wealth management centres are established in Hong Kong, Shanghai, Shenzhen and Guangzhou, with more centres and strategic alliances planned in the Greater Bay Area and Yangtze River Delta region to provide even more comprehensive wealth management and financial services to individuals and financial institutions.

At Forefront of FinTech, Innovating Financial Services

CFSG has always been a pioneer in FinTech development, investing heavily in groundbreaking innovations that reshape the financial services industry. Since becoming the first financial institution in Hong Kong to provide online securities and futures trading services in 1998, CFSG has been adopting advanced technology solutions to meet the growing demand in investment services. In recent years, CFSG launched a cutting-edge mobile trading app, Alpha i with the aim of enhancing the user experience and service quality. The new digital platform provides FinTech services to a new generation of tech-savvy and mobile-driven millennial investors. As a wealth management expert, CFSG will integrate different advantages of traditional and new financial assets to develop a full range of wealth management business, providing our clients with more choices and promoting the development of Hong Kong into an international FinTech centre.

Professional Management with Wide Range of Expert Experience

CFSG’s management team has extensive experience of the regional regulations and regulated activities in Hong Kong, Mainland China and global markets; comprising highly educated, qualified professionals in various financial services specialties. Group businesses are managed by responsible officers and representatives of these regulated activities under different established regulators.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

| | |
|------------------------|----------------------|
| KWAN Pak Hoo Bankee | (Chairman, ED & CEO) |
| KWAN Teng Hin Jeffrey | (ED & Deputy CEO) |
| CHEUNG Wai Lim William | (ED & COO) |
| LAW Hin Ong Trevor | (ED & Deputy CFO) |
| WONG Sze Kai Angela | (ED) |

Independent Non-executive:

| |
|-------------------------|
| CHENG Shu Shing Raymond |
| LO Kwok Hung John |
| LO Ming Chi Charles |

AUDIT COMMITTEE

| |
|--|
| CHENG Shu Shing Raymond (committee chairman) |
| LO Kwok Hung John |
| LO Ming Chi Charles |

REMUNERATION COMMITTEE

| |
|--|
| CHENG Shu Shing Raymond (committee chairman) |
| LO Ming Chi Charles |
| KWAN Pak Hoo Bankee |

NOMINATION COMMITTEE

| |
|--|
| KWAN Pak Hoo Bankee (committee chairman) |
| CHENG Shu Shing Raymond |
| LO Ming Chi Charles |

COMPANY SECRETARY

CHEUNG Suet Ping Ada, *ACG, HKACG, CPA, FCCA*

AUTHORISED REPRESENTATIVES

| |
|------------------------------------|
| KWAN Pak Hoo Bankee |
| (alternate: KWAN Teng Hin Jeffrey) |
| CHEUNG Wai Lim William |
| (alternate: CHEUNG Suet Ping Ada) |

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
Bank of Communications Co. Ltd., Hong Kong Branch
OCBC Wing Hang Bank, Limited
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
The Bank of East Asia, Limited
Shanghai Commercial Bank Ltd.

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

22/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.cfsg.com.hk

STOCK CODE ON MAIN BOARD

510

CONTACTS

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CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Turbulence before landing

Both hopes and uncertainties are left in the wake of the eventual end of the 3-year prolonged pandemic. The Hong Kong economy recorded negative growth of 3.5% in 2022 with total exports of goods plunging by 13.9% amid sharp deterioration in the external environment and disruptions to cross-border activities. While the city is expected to resume growth in 2023 in tandem with the Hong Kong government's relaxation of social distancing and mainland China optimising anti-epidemic measures, three clouds are still overhanging – indicating turbulence before the economy can land safely.

The first is inherent volatility of the pandemic. The COVID virus has already undergone many thousands of mutations over the past three years, with more transmissible variants driving border lockdowns and economic activities to shrink. These pose uncertainties to both investors and consumers, hindering their investment and spending decisions.

Secondly, the pandemic-induced recession might linger in the coming year, as energy and food crises sparked by the Russia-Ukraine conflict continue to spur inflationary pressures and intensify uncertainties – undermining investor confidence and household purchasing power worldwide.

Lastly, interest rate hikes remain a major concern for both retailers and consumers, pressuring profit margins and eroding consumption power. The Fed's monetary policy to control inflation risk in coming months will also certainly affect international fund flow, lowering retailers' risk appetite in long-term reinvestment.

On the other hand, although China only recorded GDP growth of 3.0% in 2022, the country is poised for a strong rebound in 2023, serving as a key growth engine for the global economy. China's growth comes not only from the low base effect, but also from its dual-circulation strategy to propel domestic consumption and encourage investment, especially in the real estate market after government de-leveraging efforts in the past two years to rein in debt levels of mega developers.

While the world economy is slowing and we are not immune, we at CFSG took a defensive approach to stay staunch while managing our cost structures in a disciplined way.

In early 2022, the world entered the first phase of the bear market, with liquidity substantially tightened and earnings held up. Thereafter, optimistic anticipation of a Fed pivot together with China optimising pandemic policy drove a brief recovery bounce since last October. Nonetheless, strong US economic data and higher-than-expected inflation rates reported in late February 2023 dashed market hopes of the Fed cutting rates – making the world seemingly enter the third phase of the bear market.

Locally, market volatilities muted investment sentiment and stalled IPO activities. On the other hand, stringent regulatory requirements fuelled compliance costs higher than ever. All these conspired to culminate in 47 local securities firms suspending their operations in 2022, a record-high in recent Hong Kong financial history.

In a world facing increasing headwinds, we focus on helping our clients do more with less, seeking protection while investing in long-term growth areas – along with rationalising our internal costs. During the pandemic, in order to stay communicated with our clients, we held numerous online and offline seminars to keep them abreast of the market trends.

We also enhanced our talent mix and upgraded our platforms in preparation for possible market upturn. During the year, we are pleased to report that our strategic focus on the three-pronged business development approach – brokerage, wealth management and asset management – started to form in good shape with a more balanced income contribution.

Looking ahead, the easing of pandemic restrictions and opening of international borders will accelerate financial and commercial activities and consumer spending.

CHAIRMAN'S LETTER

We believe that as China further implements its monetary and fiscal stimulus, with some easing in the regulatory environment to support China's economy, some handsome growth in investment and wealth management demand is expected this year – especially in the Greater Bay Area, which as a strategic part of China's 14th Five-Year Plan is presenting immense investment and wealth management opportunities for established and trusted Hong Kong financial institutions such as CFSG.

In tandem with China reopening its borders, we will continue to recruit more wealth management professionals to serve our growing client base, and form strategic partnerships with both foreign and mainland partners to offer a wider variety of investment products, so as to capture these growing business opportunities and swiftly respond to surging clients' request by resuming face-to-face client activities.

We will also prudently adjust our tightened credit policy according to general market conditions. On the other hand, we will adopt zero-based budgeting to further justify our costs; allowing more flexible budgets, focused operations, lower costs and more disciplined execution of our strategic projects.

Maintaining Agility and Resilience

For the rest of 2023, inflation could remain stubbornly high, calling for tighter monetary policies from central banks in western countries. Escalation of geopolitical conflicts such as in the Russia-Ukraine region and East Asia remain a major threat to global stability that could further undermine the fragile global energy and food markets. All these weigh heavily on market volatilities.

Despite this, economies and societies continue to recover from the pandemic, with a concerted determination to return to "normal". As Charles Dickens wrote in *A Tale of Two Cities*, "It was the best of times. It was the worst of times." Certainly, we live in interesting times, and with 2022 already behind us, I would say that the worst times have already passed. Save for any "black swan" or "grey rhino" events, we believe the world is entering 2023 with growth though with bumps and uncertainties – with the global economy landing despite some turbulence.

Despite ongoing external challenges and uncertainties, Hong Kong likewise will regain ground from almost four years of stagnancy. All we need to do is buckle up and prepare ourselves well for eventual economic landing.

We at CFSG are dedicated to staying resilient and nimble in navigating these challenges. With concerted unity, all staff will turn from a defensive approach to staying staunch and proactive, playing a leading role in driving sales.

Last but not least, I take this opportunity to thank the most valuable asset of the Group – my staff members for their diligence and commitment in making contributions to the Group amidst this challenging times.

Yours sincerely,



Dr Bankee P. Kwan, JP
Chairman & CEO

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded revenue of approximately HK\$68.8 million, representing a decrease of 29.0% compared with HK\$96.9 million last year. The Group's main revenue comprised of broking income of approximately HK\$25.8 million (2021: HK\$43.0 million), provision of wealth management services of approximately HK\$20.2 million (2021: HK\$16.2 million), and approximately HK\$22.8 million (2021: HK\$37.7 million) from non-broking and non-wealth management services.

During the year, the decrease of approximately 40.0% or HK\$17.2 million from broking income was due to bearish investing sentiment as reflected by a sizeable decrement of 25.0% in average daily turnover of Hong Kong's securities market (2022: HK\$124.9 billion; 2021: HK\$166.7 billion). Due to the highly volatile securities market, bearish investing sentiment and lowered risk appetite of market participants, demand for wealth management products and services have increased as a result. The relatively favourable investment yields and asset preservation potential has further hastened and cemented our transformation into a fully-fledged wealth management powerhouse, providing 'one-stop' wealth management services to clients in Hong Kong, Greater Bay Area and beyond. As such, revenue from our wealth management business increased 24.7% or HK\$4.0 million to reach approximately HK\$20.2 million during the year.

The decline of approximately 39.5% or HK\$14.9 million in revenue from non-broking and non-wealth management services was mainly due to the decrease in asset management revenue and interest income from IPO margin financing. The general shrinkage of various asset classes across the board led to a material impact on our asset management revenue resulting in a decline of 83.0% or approximately HK\$5.0 million. Interest income from IPO margin financing witnessed a decrement of HK\$5.4 million due to shrivelling investors' participation in Hong Kong's previously hot IPO market. Depreciation of various asset classes coupled with the absence of mega-cap listings further contributed to the 68.4% contraction in total funds raised through Hong Kong's IPO market during the year (2022: HK\$104.6 billion; 2021: HK\$331.3 billion).

In terms of treasury function, the Group recorded a net loss of approximately HK\$5.6 million (2021: HK\$14.7 million) on its portfolio of investment securities held for trading due to the downturn of the Hong Kong stock market during the year. Capitalising on the relatively favourable deposit rates from interest rate hikes, the Group actively reallocated its idle cash to term deposits during the second half of 2022 and recorded deposit income of approximately HK\$2.1 million (2021: HK\$0.8 million) during the year.

On the other hand, salaries and related benefits decreased by 15.7% or HK\$9.2 million (2021: HK\$58.5 million). Other operating expenses also witnessed a decline of 7.1% or HK\$2.7 million (2021: HK\$37.8 million). The cost reductions were mainly attributable to our Group's ongoing cost rationalisation programme which included reviewing and cutting back on non-essential costs, streamlining our workforce and reviewing organization structures to eliminate redundancies.

Overall, the Group recorded a net loss of approximately HK\$69.8 million during the year as compared to a net loss of approximately HK\$53.5 million in 2021. As part of our response to the pandemic, we have followed business continuity processes from our Board-endorsed COVID-19 Business Continuity Plan. Our Business Continuity Plan places the perseverance of our staff's health and wellbeing at the highest priority by implementing work from home arrangements for non-essential and vulnerable employees. Due to the effective mitigation efforts from our COVID-19 Business Continuity Plan, COVID-19 had limited impact on our business operations and further expedited the Group's transformational initiatives and digitalisation journey.

Impairment Allowances

Impairment allowance consisted of provision for credit losses on accounts receivables arising from margin financing and loans receivable, the Group performs impairment assessment on these financial assets under the impairment framework and methodology of expected credit loss ("ECL") model established by the Group in accordance with HKFRS 9 "Financial Instruments".

To minimise the credit risk on accounts receivables arising from margin financing and loans receivable, the Credit and Risk Management Committee is responsible for reviewing credit and risk management policies, approving credit limits and to determining any debt recovery actions on delinquent receivables. The assessment is based on close monitoring, evaluation of collectability and on management's judgement, including but not limited to ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, and consideration of forward looking factors. In this regard, the directors of the Company consider that the Group's credit risk is maintained at an acceptable level.

The accounts receivables arising from margin financing are collateralised by pledged shares of margin clients. As at 31 December 2022, the Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the four largest clients represent

FINANCIAL REVIEW

approximately 61.8% of total accounts receivable from margin clients. During the year, additional impairment allowance of approximately HK\$7.5 million for a total of HK\$128.2 million margin loans on the accounts receivables arising from margin financing was recognised, where the underlying collaterals were less than the outstanding loan amounts.

As at 31 December 2022, the Group had concentration risk on loans receivable as 27.3% of the outstanding balance is from the top borrower. During the year, a reversal of impairment allowance of approximately HK\$0.6 million on the loan receivable was recognised for a total of HK\$12.8 million loan receivables. The Group adopts a prudent provisioning policy in respect of these margin loans. For credit-impaired accounts receivable from margin clients, management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement actions.

Liquidity and Financial Resources

The Group's total equity amounted to HK\$338.9 million as at 31 December 2022 compared to HK\$412.4 million as at 31 December 2021. The decrease in the total equity was mainly due to the net effect of the reported loss during the year. As at 31 December 2022, the Group had total outstanding borrowings of approximately HK\$146.9 million, of which approximately HK\$80.1 million were solely bank loans collateralised by clients' pledged securities to the Group and HK\$66.8 million unsecured loan from a related party. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR or Hong Kong Prime Rate.

As at 31 December 2022, our cash and bank balances including the trust and segregated accounts had decreased to HK\$725.8 million from HK\$864.6 million as at 31 December 2021.

The decline was mainly due to brokerage clients maintaining less cash with the Group due to the volatile and bearish securities market during the year. The Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK\$211.0 million and HK\$32.6 million at 31 December 2022 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2022 decreased to 1.40 times from 1.50 times as at 31 December 2021. The decline was mainly due to the drop in cash maintained in trust and segregated accounts. The gearing ratio as at 31 December 2022, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 43.4% from 32.3% as at 31 December 2021. The increase in gearing ratio during the year was mainly due to the increase in bank borrowings for working capital purposes and decline in total equity from the net effect of the reported loss. On the other hand, we have no material contingent liabilities at the end of the year. The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all times throughout the period. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been complied with.

Foreign Exchange Risks

The Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the year.

Material Acquisitions and Disposals

On 30 June 2022, Celestial Securities Limited for and on behalf of CIGL (a wholly-owned subsidiary of CASH, the then substantial shareholder of the Company) made a pre-conditional voluntary cash offers to acquire all issued shares of the Company ("Offers"). The making of the Offers was subject to CASH's shareholders approval in respect of the possible acquisition and the same was approved at a special general meeting of CASH held on 9 September 2022. The Offers were subsequently closed on 21 October 2022. The shareholding interest of the CASH in the Company was increased from 102,928,854 shares (approximately 39.41% of issued share capital of the Company) to 157,989,563 shares (approximately 60.49% of issued share capital of the Company) upon the close of the Offers. Details of the transaction were disclosed in the joint announcement dated 30 June 2022 and the subsequent announcements of the Company and/or CASH during the period from 18 July 2022 to 21 October 2022, and the composite offer document of the Company dated 16 September 2022.

On 19 December 2022, Confident Profits Limited ("CPL", an indirect wholly-owned subsidiary of CASH) as vendor and the Company as purchaser entered into an agreement, pursuant to which CPL conditionally agreed to sell, and the Company conditionally agreed to acquire, the 51% of the issued shares of CASH Algo Finance Group International Limited (an indirect wholly-owned subsidiary of CASH) at

FINANCIAL REVIEW

the consideration of HK\$61 million, which will be satisfied as to (i) HK\$10 million in cash and (ii) HK\$51 million by the issue of 120,000,000 new shares in the Company ("Consideration Shares") to CIGL at completion. The completion of the transaction is conditional upon the Company's independent shareholders approval and the listing approval for the issue of the Consideration Shares. A special general meeting of the Company will be convened and held for the approval of the acquisition. Following completion, the shareholding of CASH in the Company will increase from approximately 60.49% to 72.93% and the Group will remain subsidiaries of CASH. Details of the transaction were disclosed in the joint announcement of the Company and CASH dated 19 December 2022.

Save as aforesaid, the Group did not make any other material acquisitions or disposals during the year.

Save as disclosed in this report, there is no important event affecting the Group which has occurred since the end of the financial year.

Fund Raising Activities

The Company did not have any fund raising activity during the year.

Capital Commitments

The Group did not have any material outstanding capital commitments at the end of the year.

Material Investments

As at 31 December 2022, the market values of a portfolio of investments held for trading amounted to approximately HK\$22.8 million. A net loss on investments held for trading of HK\$5.6 million was recorded for the year.

We did not have any future plans for material investments, nor addition of capital assets.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revenue

| (HK\$'m) | 2022 | 2021 | % change |
|--|------|------|----------|
| Broking income | 25.8 | 43.0 | (40.0%) |
| Wealth management income | 20.2 | 16.2 | 24.7% |
| Non-broking and non-wealth management income | 22.8 | 37.7 | (39.5%) |
| Group total | 68.8 | 96.9 | (29.0%) |

Key Financial Metrics

| | 2022 | 2021 | % change |
|---|---------|---------|----------|
| Net loss (HK\$'m) | (69.8) | (53.5) | 30.5% |
| Loss per share (HK cents) | (26.72) | (21.11) | 26.6% |
| Total assets (HK\$'m) | 1,053.1 | 1,295.6 | (18.7%) |
| Cash on hand (HK\$'m) | 243.6 | 203.6 | 19.6% |
| Bank borrowings (HK\$'m) | 80.1 | 73.0 | 9.7% |
| Annualised average fee income from broking per active client (HK\$'000) | 2.4 | 3.8 | (36.8%) |

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

2022 was an extraordinary year with heightened geopolitical tensions (i.e. US-China confrontation and Russia-Ukraine War); tightening financial conditions (i.e. US four-decade high level of inflation and seventh consecutive interest rate hikes to a cumulative increase of 4.25%); and mass testing and strict pandemic quarantine measures under the dynamic zero-COVID strategy in China.

On the back of the sluggish external environment, the sagging domestic housing market and heightened volatility across asset classes, the Hong Kong economy contracted by 3.5% in real terms for 2022. Meanwhile, China's economic growth slowed to 3% YoY in real term for 2022, amid a series of policies and stimulus from the central government to revive economic activities.

According to the statistics issued by the HKEX, the average daily turnover in 2022 was approximately HK\$124.9 billion, down 25% compared with HK\$166.7 billion in 2021. Given the economic downturn, the funds raised by IPOs in 2022 was HK\$104.6 billion, down 68% over 2021, while the number of newly listed companies in 2022 was 90, a mild decrease of 8% compared with the 98 last year.

The global financial markets have been roiled amid the normalization and tightening of the monetary policy and shrinking of the balance sheets by the US Federal Reserve ("FED") and central banks in advanced economies. Aggressive hikes in interest rates and sky-high inflation posed steep challenges for investors in 2022. Stock market reaction reflected a "bad news in US economic data is good news" mentality because a slowdown in data suggested that the Fed's tightening to control inflation had worked. The Hang Seng Index ("HSI") exhibited extreme volatility like a roller coaster ride, fluctuating by more than 10,000 points over the year and closing down 15.5% or 3,616 points at 19,781 on 31 Dec 2022, when compared with 23,397 in 2021.

Business Review

During the first three quarters of 2022, market sentiment was hard hit by the deterioration in market liquidity, slackened global growth momentum, and the tough pandemic-control measures under the dynamic zero-Covid policy in China. The Hong Kong stock market experienced panic selling moments and the HSI plunged by more than 7,100 points or 33% from July to October in a sustained manner, reaching its lowest close since October 2008 at 14,687 on 31 Oct 2022; October 2022 was also the worst-ever month since October 2008.

Nevertheless, the low investor sentiment had markedly improved since the latter part of Q4, as China suddenly U-turned on its dynamic zero-COVID policy and took calibrated steps towards reopening alongside gradual relaxation of strict pandemic containment measures in most of the top-tier Chinese cities. These were followed by a series of supportive policies by the central government to boost the struggling property sector. The HSI bottomed out in October after the 15% plunge in the month, and dramatically rebounded by more than 3,900 points or 27% in November, the best monthly performance in 24 years.

Over the course of 2022, our brokerage business recorded a commission income of HK\$25.8 million, representing a sharp decrease of approximately 40% as compared with HK\$43.0 million in the prior year, as the average daily turnover on the Hong Kong stock market dropped amid the bearish market sentiment which had led investors to reduce their risk appetite for stock trading and investment.

To better serve our customers aptly and enhance their Fintech experience, CFSG will continue to provide premium broking services to our customers in the GBA through our innovative web and mobile trading app. (Alpha-I 2.0) platform.

Given the high interest rate environment following global interest rate hikes, our margin financing and loan business recorded an interest income of HK\$18.9 million, down by 26% compared with HK\$25.7 million in the previous year. Apart from that, the subdued IPO market and lack of mega IPOs that hit the market in 2022 also weighed on our business. To navigate the multitude of headwinds the global economy faces, CFSG will continue to adopt a tight credit policy to better manage our loan and margin financing business prudently in pursuit of sustainable business growth.

In light of the increasing cross-border demand for wealth management products and services, CFSG has built a one-stop wealth management platform to provide ingenious services for our GBA clients. During the year, the fee-based income from our wealth management business amounted to HK\$20.2 million, representing a sharp increase of approximately 25% as compared with HK\$16.2 million in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

To precisely satisfy our clients' personalised investment needs and to help them better plan wealth accumulation and preservation, CFSG organised a wide range of public seminars on wealth management themes covering investment i.e. CFSG 50th Anniversary Investment Seminar (百年巨變 • 投資增值講座), insurance i.e. Egg Cryopreservation Seminar (雪卵二三事醫療講座), overseas immigration & tax planning i.e. UK Taxation System Seminar (移英稅務系統大拆解講座), and trust services i.e. Marriage, Divorce & Asset Allocation Seminar (婚 • 身家資產配置講座) in our brand-new CFSG Wealth Management Centre in Hong Kong Island, upon the relaxation of pandemic-control restrictions in the second half of 2022. Speakers including financial expert, commentator, university professor, PRC lawyer, UK tax advisor, and specialist in Obstetrics & Gynecology were invited to share their perspectives with the audience in relation to topics including investment and market outlook, differences between the Mainland and Hong Kong law about Marriage & Divorce, UK tax system, advice on asset management & allocation, egg cryopreservation and gynecological problems experienced by women of childbearing age. Those seminars received a lot of very positive feedback.

On the other hand, CFSG's asset management business achieved a critical milestone in 2022, with our first CASH Prime Value Equity OFC Public Fund launched successfully on 1 September 2022. The fund, aligned with the Group's objective as a technology pioneer in the financial industry, implements an investment strategy based on big data, algorithms and professional investment managers' experiences, and provides optimal risk-adjusted returns for our investors. The fund has performed brilliantly since inception and generated a portfolio return of 2.73% in 4 months, outperforming by 282 basis points relative to the HSI as of 31 December 2022. With this remarkable performance, we are confident in seizing golden opportunities brought by the GBA wealth management market and in achieving a more significant contribution to the Group's revenue growth soon.

ESG Highlights

Community caring is one of our core corporate values. CFSG is committed to caring about the interests of our communities. During the year, we supported and participated in a variety of community events, which has not only spread positivity among the society through tough times amidst the pandemic but has also cultivated a "Total Caring" culture among our staff.

During the year, CFSG was bestowed with the Sustainable Business Award from the World Green Organisation, in recognition of its outstanding achievements in supporting workplace quality, environmental protection, operation practice and community involvement.

In June 2022, for each new customer who successfully opened an Alpha i trading account, CFSG would donate HK\$100 to "Merit Veterinary Medical Centre - House of Joy and Mercy" (阿棍屋善行動物診所) for charity purposes, supporting its work of providing free medical services for homeless stray animals. Meanwhile, medical staff in the healthcare industry who successfully opens Alpha i trading account can enjoy an exclusive welcome offer of a "Lifetime Zero Commission HK Stock Trading Plan"; this offer shows our heartfelt appreciation for their effort to combat the pandemic.

In September 2022, CFSG staff volunteered to prepare food ingredients in the "Food Angel" Kitchen with the surplus food collected from the food industry. The rescued food items would then be prepared as nutritious meals and redistributed to the underprivileged communities in Hong Kong.

In December, CFSG partnered with "Rotary Club of Mandarin Hong Kong" (香港華語扶輪社) to organize a quilt donation activity, sending warmth and care to over 120 low-income families in Hong Kong.

CFSG also joined the "Say Yes to Breastfeeding" campaign initiated by the "Hong Kong Committee for UNICEF" with the aim of building a breastfeeding-friendly community in Hong Kong. We pledged to implement breastfeeding-friendly measures in workplaces, such as arranging breastfeeding space at our office to help working moms breastfeed sustainably. A Certificate of Appreciation was awarded to CFSG to recognize our effort.

Outlook

Upon the long-awaited re-opening with Mainland China after three years of Covid-19 pandemic curbs, the Hong Kong economy is expected to pick up over the coming quarters, with downside risks due to the global economic downturn and geopolitics. On a positive note, we expect China's economic growth to rebound as its set on a reopening path in 2023, with the central government likely to unveil additional supportive monetary and fiscal measures to help stabilise growth and investment sentiment.

MANAGEMENT DISCUSSION AND ANALYSIS

2022 was a challenging year for global stock markets given interest-rate hikes and extreme market volatility. Looking forward, we reckon the bear market for stocks over the past two years is coming to an end and the 2023 outlook will be more sanguine given the gradual downshift in the pace of interest-rate hikes. Consequently, Hong Kong brokerage business prospects will turn more promising against a more favourable economic and less turbulent environment. In tandem, Hong Kong's IPO market is expected to regain momentum and be poised for a revival in 2023, as more US-listed Chinese companies accelerate their 'homecoming' plans and opt for a secondary listing in Hong Kong amidst the improved financial market sentiment. CFSG will continue to leverage the demand for IPO financing to boost our interest income.

As we move into 2023, our asset management business will focus on several key directions. On the business side, we will continue to promote our open-ended fund to the public market by strengthening our distribution channels through partnerships with independent fund platforms. On the investment side, we actively revamp our research, operation and risk control to solidify our investment management process. By incorporating big data analytics, a remodelled research platform is being constructed. Further system and control development projects have been commenced to bring our practices above and beyond industry standards. We estimate that by early Q3 2023, these programs will greatly impact our Group's AUM growth.

In response to the digital wave, CFSG has been successfully transformed into a full-fledged financial services company with a tech-driven trading platform for its brokerage, specialising in wealth management and investment products in Greater Bay region. We are at the forefront of FinTech development and innovation, investing heavily in its digital platforms and will continue to enhance the features and functions of our online trading application, providing our clients with a swift and stable trading experience across multiple asset classes worldwide.

Under the National 14th Five-Year Plan, Hong Kong will continue to thrive as an international financial centre and global wealth management hub. Riding on our long-established brand and rooted in Hong Kong for over 50 years, CFSG is committed to becoming a trusted, first-class investment and wealth management partner "connecting people, ideas, capital and opportunities for the sustainable development of a better world".

Entering the golden jubilee year, CFSG will actively expand our investment and wealth management businesses, creating wealth and adding value to help our valuable clients achieve their ideal life goals. With a deep understanding of client needs in investment and wealth management, CFSG is dedicated to delivering top-notch services to our GBA clients, helping them to both hedge against global financial risks and grasp potential opportunities on the back of future economic recovery – and hence better plan wealth accumulation, preservation, and heritage.

EMPLOYEE INFORMATION

As at 31 December 2022, the Group had 81 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK\$49.3 million.

BENEFITS

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

TRAINING

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as products knowledge, operational techniques, risk and compliance, customer service, selling techniques, graduate development and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the SFO, to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN, JP

Chairman, ED & CEO

DBA(Hon), MBA, BBA, FFA, FHKSI, CPM(HK), FHKIM

Dr Kwan, aged 63, joined the Board on 11 August 2000. He is responsible for devising the overall business strategy of the Group. Dr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Dr Kwan was also conferred an Honorary Doctorate degree in Business Administration. Dr Kwan is also a fellow of the Institute of Financial Accountants, UK, the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Marketing (HKIM). He is a Certified Professional Marketer (HK) of HKIM. He is a Justice of Peace (JP) of the HKSAR.

Dr Kwan is a firm believer in youth education and development. He is a John Harvard fellow of The Harvard University, US; a member of the Harvard University Asia Center Advisory Committee; a trustee of New Asia College of The Chinese University of Hong Kong; an honorary fellow of The Hong Kong Metropolitan University; a member of the Court of City University of Hong Kong, an Adjunct Professor of The Hang Seng University of Hong Kong, an honorary director of the Pan Sutong Shanghai-Hong Kong Economic Policy Research Institute (PSEI) of Lingnan University of Hong Kong and an advisory professor and a honorary member of the Board of Trustees of Nanjing University. Dr Kwan is also an honorary advisor of several higher education institutions, including the LiPACE of The Hong Kong Metropolitan University and the Academy of Oriental Studies of Peking University.

In addition to education, Dr Kwan is also active in serving the community. Currently, he is a member of the 14th National Committee of the Chinese People's Political Consultative Conference (CPPCC); a standing committee member and vice convener (Hong Kong and Macao Members) of the CPPCC, Shanghai Committee; the deputy chairman of the Business Facilitation Advisory Committee (BFAC) and also the convener of the Wholesale and Retail Task Force (WRTF) of BFAC; a member of the Mandatory

Provident Fund Schemes Advisory Committee (MPFSAC) and a former non-executive director of the MPF Authority; president of Federation of Hong Kong-Shanghai Associations; a member of the 5th Council of the China Overseas Friendship Association; a member of the Election Committee for the Fourth, the Fifth and the Sixth Term of the Chief Executive Election of the HKSAR; a director, an executive committee member, past honorary advisor and past chairman of the Hong Kong Retail Management Association (HKRMA); a member of the Securities and Futures Appeals Tribunal (SFAT); a member of the Labour Advisory Board of the HKSAR; a member of the Marketing Management Committee of the Hong Kong Management Association (HKMA); a director of the Hong Kong Justice of Peace Association; an honorary advisor of Hong Kong Small and Medium Enterprises Association. Dr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR and an honorary advisor of the CEPA Business Opportunities Development Alliance.

In December 2009, Dr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards as organised by Enterprise Asia, which recognised his outstanding entrepreneurial success and significant contributions to economic life and society. In April 2016, Dr Kwan was named "Man of the Year for Leadership in Asia" by IAIR, the world's leading financial magazine. The annual IAIR Awards recognise outstanding professionals who actively promote excellences in innovation and sustainability. In August 2018, he was bestowed with the "World Outstanding Chinese Award" organised by World Chinese Business Investments Foundation, which recognised his great contribution to the global Chinese society. In December 2019, The Hang Seng University of Hong Kong bestowed the "Junzi Entrepreneur Award" on Dr Kwan, recognising his continuous contribution to the society of Hong Kong.

Dr Kwan is the controlling Shareholder of the Company, a member of the Remuneration Committee and the chairman of the Nomination Committee. He is also an executive director, chairman and chief executive officer of CASH, as well as a member of the remuneration committee and the chairman of the nomination committee of CASH. He is the father of Mr Kwan Teng Hin Jeffrey (executive director of the Company and CASH).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Jeffrey Teng-hin KWAN

ED & Deputy CEO

BA, MHKSI

Mr Kwan, aged 33, joined the Board on 12 June 2017. He is in charge of the strategic and corporate development of the Group. He has extensive experience in the fields of financial technology, corporate and strategic management, private equity and investment management. Mr Kwan received a Bachelor of Arts Degree in Psychology from The Johns Hopkins University, US. He is a member of the Hong Kong Securities and Investment Institute. He is the son of Dr Kwan Pak Hoo Bankee (the Chairman of the Group). Mr Kwan is also an executive director of CASH.

William Wai-lim CHEUNG

ED & COO

MBS, BA, CPA

Mr Cheung, aged 47, joined the Board in August 2021. He is in charge of the overall administrative and operational functions of the Group. He has extensive experience in the fields of banking, accounting and auditing. Mr Cheung received a Master of Business Studies Degree from the University of Kent at Canterbury, UK and a Bachelor of Arts (Hons) in Accountancy Degree from City University of Hong Kong. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Trevor Hin-ong LAW

ED & Deputy CFO

MSc, BSc, CPA(Aus)

Mr Law, aged 31, joined the Board on 1 June 2022. He oversees the finance and treasury function of the Group. He has extensive experience in the fields of financial and accounting management. Mr Law received a Master of Science Degree in Business (Finance and Accounting) from the University of Warwick, United Kingdom and a Bachelor of Science Degree in Accounting, Business, Finance and Management from the University of York, United Kingdom. He is a Certified Practising Accountant of CPA Australia.

Angela Sze-kai WONG

ED

EMBA, CFA

Ms Wong, aged 55, joined the Board on 11 July 2022. She is in charge of the overall sales and business development, including institutional wealth management, private wealth management and asset management businesses of the Group. She has extensive experience in financial services and wealth management in North America, Hong Kong and Mainland China. Ms Wong is an Executive MBA of Tsinghua University, Beijing and a Chartered Financial Analyst of CFA Institute, US. She is a responsible officer of CASH Asset Management and CASH Wealth Management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

INED

Mr Cheng, aged 67, joined the Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. He is an honorary fellow of The Professional Validation Centre of Hong Kong Business Sector and a member of Young Industrialists Council Ltd. He is the chairman of The Hospital Authority New Territories West Cluster Hospitals Charitable Trust and is a member of the Medical Development Sub-committee of the Hospital Governing Committee of Tuen Mun Hospital. Mr Cheng was the winner of The Young Industrialist Awards for the year 1992, a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council, the president of the Lions Club of Tuen Mun and the President of Love U All Charitable Foundation. He was the chairman of The Federation of Hong Kong Watch Trades and Industries Limited, and is currently an advisor of the Federation, a principal honorary president as elected by the Federation and the chairman of The Federation of Hong Kong Watch Trades and Industries Charitable Trust. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

John Kwok-hung LO

INED

MBA, LL.B, FCCA

Mr Lo, aged 64, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance fields. He received a Master of Business Administration Degree from The Oklahoma City University, US and a Bachelor of Laws Degree (LL.B) from The University of London, UK. Mr Lo is a fellow of The Association of Chartered Certified Accountants. Mr Lo is also a member of the Audit Committee.

Charles Ming-chi LO

INED

CPA(Aus), FFSI

Mr Lo, aged 73, joined the Board on 27 October 2008. Mr Lo has extensive professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He is a Certified Practising Accountant of the CPA Australia, and a fellow member of the Financial Services Institute of Australasia. Mr Lo is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr Lo is also an independent non-executive director, chairman of the audit committee, member of the remuneration committee and the nomination committee of Carrianna Group Holdings Company Limited (stock code: 126), a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Ada Suet-ping CHEUNG

Company Secretary

ACG, HKACG, CPA, FCCA

Ms Cheung, aged 50, joined the Group in August 2021. She is in charge of the company secretarial matters of the Group. She has extensive listed company secretarial experience. She is an associate of The Chartered Governance Institute, UK and The Hong Kong Chartered Governance Institute, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. In addition to taking the role as company secretary of the Company, Ms Cheung is also the company secretary of CASH.

Carrie Chiu-mei LAW

Director, Human Resources & Administration

BBA, MHKIH RM

Ms Law, aged 49, joined the Group in August 2001. She is in charge of the human resources and administrative functions of the Group. She has extensive experience in human capital management, including strategic human resources planning, talent management, succession planning and human resources measurements. She is also experienced in managing human resources and administrative operations across regional offices. Ms Law received a Bachelor of Business Administration (Hons) Degree in Human Resources Management from the Hong Kong Baptist University. She is a professional member of Hong Kong Institute of Human Resources Management. She is also appointed as Assessor for the Recognition of Prior Learning Scheme with Vocational Training Council. Ms Law is also the Director of Human Resources & Administration of CASH.

Kit-cheung PANG

Managing Director, Institutional Wealth Management

MBA

Mr Pang, aged 53, joined the Group in January 2021. He is in charge of the business finance development of the Group. He has extensive experience in the fields of corporate banking and business finance. Mr Pang received a Master of Business Administration Degree from The Open University of Hong Kong.

William Wai-tong WONG

Managing Director, Asset Management

MBA, LL.M, BSc, CPA(USA), CFA

Mr Wong, aged 47, joined the Group in December 2022. He oversees the asset management business of the Group. He has extensive experience in both buy and sell sides of the financial services sector in Hong Kong and in the US. His wide spectrum of financial services experience spans across investment, fund management, asset management, investment banking, equity research, wealth management and family office. Mr Wong received a Master of Business Administration Degree at University of California, Berkeley, US, a Certified Public Accountant (CPA) and a Chartered Financial Analyst (CFA). He also received a Master of Law (LL.M.) degree from the University of Hong Kong and a Bachelor of Science degree from University of Virginia, U.S. Mr Wong is currently a senior lecturer at the School of Business and Administration, Hong Kong Metropolitan University, and his sharing philosophy helps him attain the President's award as one of the university's best instructors.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

William Hon-kei CHAN

Managing Director, China Business

MBA, BSc

Mr Chan, aged 38, joined the Group in December 2007. He is in charge of the overall business development in mainland China of the Group. He has extensive experience in brokerage service and wealth management fields. Mr Chan received a Master of Business Administration Degree from Cheung Kong Graduate School of Business, China and a Bachelor of Science Degree in Biochemistry from The Hong Kong University of Science and Technology. He is a responsible officer of CASH Asset Management, CASH Wealth Management, Celestial Securities and Celestial Commodities.

Alpha Ching-wan CHAN

Managing Director, Asset Management

BA, CFA

Mr Chan, aged 46, joined the Group in April 2022. He is in charge of the asset management business of the Group, managing investment portfolio including authorised and private funds, discretionary accounts, etc. He has over 22 years of extensive experience in investment management including equities, fixed income and derivatives. Mr Chan received a Bachelor of Art in Management (Operations) Degree from The Hong Kong Polytechnic University. He is a Chartered Financial Analyst. He is a responsible officer of CASH Asset Management and CASH Wealth Management.

Angela Cheuk-man PUN

Financial Controller

BSc, MPA, CPA(Aus)

Ms Pun, aged 40, joined the Group in December 2012. She is assisting the Deputy CFO in overseeing the financial and accounting matters of the Group. She has extensive experience in the fields of financial and accounting management. Ms Pun received a Bachelor of Social Sciences in Policy Studies and Administration from City University of Hong Kong and a Master of Professional Accounting from Deakin University, Australia. She is a Certified Practising Accountant of CPA Australia.

Anthony Wai-ching CHEUNG

General Manager of Institutional Wealth Management

MA, BBA

Mr Cheung, aged 49, joined the Group in July 1997. He is in charge of the sales and trading division of the Group. He has extensive experience in the fields of operational control, risk management and dealing in securities and futures market. Mr Cheung received a Master of Arts Degree in Comparative and Public History from The Chinese University of Hong Kong and a Bachelor of Business Administration Degree in Applied Economics from the Hong Kong Baptist University. He is a responsible officer of CASH Wealth Management, CASH Asset Management, Celestial Securities and Celestial Commodities.

Hilda Ying-ying HUANG

Head of WealthTech Accelerator

MSc, BSc

Ms Huang, aged 38, joined the Group in May 2011. She is responsible for the FinTech project management of the Group. She has extensive experience in mobile trading and mobile technology. Ms Huang received a Master of Science Degree in Electronic Business Management from The University of Warwick, UK and a Bachelor of Science Degree in Business Management and Business Information Technology from The University of Gloucestershire, UK.

CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of the CG Code as set out in Part 2 of Appendix 14 to the Listing Rules. For the year ended 31 December 2022, the Company has complied with all the code provisions of the CG Code, except the deviation from code provision C.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual, details were mentioned in the section of “Chairman and Chief Executive Officer”.

CULTURES AND VALUES

A healthy corporate culture across the Group is integral part to attain its vision and strategy. It is the Board’s role to foster a corporate culture with the following core principles and to ensure that the Company’s vision, values and business strategies are aligned to it.

Integrity and code of conduct

The Group strives to maintain high standard of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the relevant standards and requirements are set out in the relevant materials to staff and policies such as the Group’s employee handbook, the anti-corruption policy and whistle-blowing policy of the Group.

Commitment

The Group believes that the culture of commitment to staff development, workplace health and safety, work-life balance and sustainability are the key elements for staff engagement with the Group’s mission. The Group is committed to provide a safe, healthy and family-friendly workplace to staff so as to attracts, develops and retains the best talents and delivered the highest quality of work.

THE BOARD COMPOSITION

Up to the publication date of this report, the Board comprised 8 Directors (5 EDs and 3 INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The Board of which over one third of the Board members are INEDs, thereby promoting critical review and control of the management process. The INEDs will also share their valuable impartial view on matters to be discussed at the board meetings. The biographies of the Directors are set out from pages 13 to 15 of this annual report under the “Board of Directors and Senior Management” section.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 requires that the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Dr Kwan, the ED and Chairman of the Board also acted as CEO of the Company during the underlying year. Dr Kwan is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. The dual role of Dr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The CEOs of respective business units of the Group assisted Dr Kwan in performing CEO’s responsibilities and are responsible for formulating business plans and monitoring the business operation and development of the Group, and report regularly to the Chairman. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. In addition, the 3 INEDs provide independent and impartial opinion on issues to be considered by the Board. The Board is of the opinion that the current Board structure functions effectively.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The INEDs are all professionals with well recognised experience and expertise in professional and/or accounting fields who provide valuable advice to the Board. They are appointed for a term of 1 year and are subject to retirement from office and re-election at the AGM every year. The Company has received a confirmation of independence from each of the INEDs. The Board considers each of them to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The INEDs have been expressly identified as such in all corporate communications of the Company that disclose the names of the Directors.

INDEPENDENT VIEWS

The Company has maintained a mechanism to ensure that independent view and input are available to the Board. The mechanism includes:

- Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive directors, for appointment as Directors.
- Nomination Policy is in place with details of the process and criteria of identifying, selecting, recommending, cultivating and integrating new directorship.
- For independent non-executive directors (“INED(s)“):
 - (i) Every INED is required to confirm in writing to the Company his/her independence upon his/her appointment as Director with reference to such criteria as stipulated in the Listing Rules;
 - (ii) Each INED has to declare his/her past or present financial or other interests in the Group’s business as soon as practicable, or his/her connection with any of the Company’s connected persons (as defined in the Listing Rules), if any;
 - (iii) Each INED is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence.
- The Nomination Committee will assess the independence of INEDs and review the INEDs’ annual confirmations on their independence.
- Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it will set out in the circular to Shareholders the reasons it believes he/she should be elected and the reasons it considers him/her to be independent.
- A mechanism is in place for Directors to seek independent professional advice in performing their duties at the Company’s expense.

The implementation and effectiveness of the mechanism are reviewed by the Board on an annual basis.

CORPORATE GOVERNANCE REPORT

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising the business operations of the Group in the interests of the Shareholders by formulating strategic directions and monitoring the financial and management performance of the Group.

DELEGATION TO THE MANAGEMENT

The Management is led by the EDs of the Board and has delegated powers and authorities to carry out the day-to-day management and operation of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The Management assumes full accountability to the Board for the operation of the Group.

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the Management that certain matters (including the followings) must be reserved to the Board:

- Publication of final and interim results of the Company
- Dividend distribution or other distribution
- Major issues of treasury policy, accounting policy and remuneration policy
- Review on risk management and internal control systems
- Corporate governance functions
- Review on the succession plan and consideration of the appointment, re-election and removal of the Directors
- Changes to major group structure or board composition requiring notification by announcement
- Notifiable transaction and non-exempted connected transaction/continuing connected transaction
- Proposed transaction requiring the Shareholders' approval
- Capital restructuring
- Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement
- Financial assistance to the Directors

RELATIONSHIP BETWEEN THE BOARD MEMBERS

Dr Kwan Pak Hoo Bankee (the Chairman, ED and CEO of the Company) is the father of Mr Kwan Teng Hin Jeffrey (ED of the Company). Save as disclosed herein, none of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) between each other.

CORPORATE GOVERNANCE REPORT

INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

The Directors received regular updates and presentation on changes and developments to the Group's business and on the latest developments in the law, rules and regulations relating to Directors' duties and responsibilities. A newly appointed Director will receive a comprehensive induction package covering the statutory and regulatory obligations of Directors. Directors' training is an ongoing process. All Directors are encouraged to attend training sessions including but not limited to seminars (including online webinars), briefings, conference forums and workshop and reading materials to enrich their knowledge in discharging their duties as a director.

To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the year under review:-

| Name of Directors | Covered areas <small>(Notes)</small> |
|--|---|
| Kwan Pak Hoo Bankee | (a) to (b) |
| Kwan Teng Hin Jeffrey | (a) to (b) |
| Cheung Wai Lim William | (a) to (b) |
| Law Hin Ong Trevor <i>(was appointed on 1 June 2022)</i> | (a) to (b) |
| Wong Sze Kai Angela <i>(was appointed on 11 July 2022)</i> | (a) to (b) |
| Li Shing Wai Lewis <i>(resigned on 1 June 2022)</i> | (a) to (b) |
| Kwok Ka Lok Lionel <i>(resigned on 1 March 2022)</i> | (a) to (b) |
| Cheng Shu Shing Raymond | (a) |
| Lo Kwok Hung John | (a) |
| Lo Ming Chi Charles | (a) |

Notes:

- a) Corporate governance and regulatory development
- b) The Company and industry's news

There is a procedure agreed by the Board to ensure the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code during the year.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

The attendance record of the Directors at the following meetings during the year is set out below:

| Name of Directors | Meetings attended/held | | | | | | |
|---|-----------------------------|--------------------|-------------------------|--------------------------------|------------------------------|------------------------|-------------------------|
| | Executive Committee Meeting | Full Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Annual General Meeting | Special General Meeting |
| EDs | | | | | | | |
| Kwan Pak Hoo Bankee | 12/12 | 12/12 | N/A | 1/1 | 3/3 | 1/1 | 2/2 |
| Kwan Teng Hin Jeffrey | 12/12 | 12/12 | N/A | N/A | N/A | 1/1 | 2/2 |
| Cheung Wai Lim William | 11/12 | 12/12 | N/A | N/A | N/A | 1/1 | 2/2 |
| Law Hin Ong Trevor <i>(was appointed on 1 June 2022)</i> | 7/7 | 9/9 | N/A | N/A | N/A | N/A | 2/2 |
| Wong Sze Kai Angela <i>(was appointed on 11 July 2022)</i> | 5/5 | 7/7 | N/A | N/A | N/A | N/A | 2/2 |
| Li Shing Wai Lewis <i>(resigned on 1 June 2022)</i> | 5/5 | 3/3 | N/A | N/A | N/A | 1/1 | N/A |
| Kwok Ka Lok Lionel <i>(resigned on 1 March 2022)</i> | 2/2 | N/A | N/A | N/A | N/A | N/A | N/A |
| INEDs | | | | | | | |
| Cheng Shu Shing Raymond | N/A | 12/12 | 4/4 | 1/1 | 3/3 | 1/1 | 2/2 |
| Lo Kwok Hung John | N/A | 9/12 | 1/4 | N/A | N/A | 1/1 | 0/2 |
| Lo Ming Chi Charles | N/A | 12/12 | 4/4 | 1/1 | 3/3 | 1/1 | 2/2 |
| Total number of meetings held: | 12 | 12 | 4 | 1 | 3 | 1 | 2 |

During the year, the Chairman of the Board held a meeting with the INEDs without the presence of the EDs.

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director on full Board and their executive committee meetings with the Management on their respective functional duties and responsibilities, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the year.

BOARD MEETINGS AND PROCEEDINGS

Regular board meetings were held at approximately quarterly interval. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures, and all applicable rules and regulations, are followed.

All Directors are consulted as to whether they wish to include any matter in the meeting agenda before the agenda for each board meeting is issued. Board meeting notice is sent to the Directors at least 14 days prior to each regular board meeting. Originals of the minutes of board meetings will be kept by the Company Secretary and are opened for inspection at any reasonable time on reasonable notice by any Director.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant board resolution in which he/she or any of his/her associates has a material interest and that he/she shall not be counted in the quorum present at the board meeting.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(SET UP ON 30 OCTOBER 2000)*

The Audit Committee consists of three INEDs, namely Mr Cheng Shu Shing Raymond (chairman of the committee), Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles.

The specific written terms of reference of the Audit Committee is available on the websites of the Stock Exchange and the Company.

The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, approving the remuneration and terms of engagement of external auditor, reviewing financial information and overseeing the financial reporting system, risk management and internal control procedures. The Audit Committee held 4 meetings during the year.

A summary of work performed by the Audit Committee during the year is set out as follows:

- i. reviewed the annual and interim financial statements, and the quarterly business operation and development of the Group;
- ii. discussed/met with the external auditor on general accounting issues of the Group, and reviewed their work and findings relating to the annual audit and the effectiveness of the audit process;
- iii. reviewed the effectiveness of the risk management and internal control systems of the Group;
- iv. annual review of the non-exempt continuing connected transactions of the Group; and
- v. reviewed the external auditor's independence, approved the engagement and remuneration of external auditor and recommended the Board on the re-appointment of external auditor.

REMUNERATION COMMITTEE *(SET UP ON 30 OCTOBER 2000)*

The Remuneration Committee consists of three members, namely Mr Cheng Shu Shing Raymond (chairman of the committee) and Mr Lo Ming Chi Charles, both being INEDs, and Dr Kwan Pak Hoo Bankee, being Chairman of the Board.

The specific written terms of reference of the Remuneration Committee is available on the websites of the Stock Exchange and the Company. Pursuant to the CG Code E.1.2(c)(ii) and the terms of reference adopted by the Remuneration Committee, its primary duties are to make recommendation to the Board on the Company's policies and structure of the remuneration of Directors and senior management and the remuneration packages of individual EDs and senior management. Details of the remuneration of each of the Directors for the year are set out in note 11 to the consolidated financial statements. The Remuneration Committee held 1 meeting during the year.

A summary of the work performed by the Remuneration Committee during the year is set out as follows:

- i. determined and endorsed to the remuneration policy and structure for the Directors and senior management; and
- ii. assessed the performance of executive Directors and reviewed their current level and remuneration structure/package and approved their specific remuneration package of executive Directors.

CORPORATE GOVERNANCE REPORT

Remuneration policy of the Directors

The Company adopted a remuneration policy providing guideline for the Directors' remuneration.

Under the remuneration policy, the Directors' remuneration should be based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance – which is set in accordance to the Director's duties, responsibilities, skills, experiences and market influences;
- pension – which is based on the local Mandatory Provident Fund Contribution Scheme;
- short term variable incentive – which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets; and
- long term variable incentive – which may include share options designed to encourage long-term commitment.

The remuneration of the NEDs (if any) and the INEDs will be a lump sum of Directors' remuneration made annually.

The remuneration paid to and/or entitled by each of the Directors for the year is set out in note 11 to the consolidated financial statements in this annual report.

The share options granted to and/or entitled by the Directors during the year under review are set out in the section headed "Directors' Interests in Securities" in the Directors' report of this annual report.

NOMINATION COMMITTEE *(SET UP ON 31 MARCH 2022)*

The Nomination Committee consists of three members, namely Dr Kwan Pak Hoo Bankee (chairman of the committee), being Chairman of the Board, Mr Cheng Shu Shing Raymond and Mr Lo Ming Chi Charles, both being INEDs.

The specific written terms of reference of the Nomination Committee is available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are (a) reviewing the structure, size, composition and diversity of the Board; (b) reviewing the board diversity policy; (c) identifying individuals suitably qualified to become Board members and making recommendations to the Board for directorship; (d) assessing the independence of INEDs; and (e) making recommendations to the Board on the appointment, re-appointment, re-election or re-designation of Directors and succession planning for Directors. The Nomination Committee held 3 meetings during the year.

A summary of the work performed by the Nomination Committee during the year is set out as follows:

- i. reviewed the structure, size, composition and diversity of the Board;
- ii. reviewed the independence of the INEDs; and
- iii. made recommendation to the Board on the re-election of Directors.

CORPORATE GOVERNANCE REPORT

Nomination Policy

The Company has adopted a nomination policy for the Nomination Committee to identify and evaluate a suitable candidate for nomination to (i) the Board for appointment; or (ii) the Shareholders for election, as Directors, at general meetings.

Selection Criteria

The nomination policy of the Company specifies the selection criteria of Directors including but not limited to the following:

- character, experience and integrity;
- skills, experience and professional expertise which are relevant to the operations of the Group;
- diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of independence of the proposed independent non-executive Directors in accordance with the Listing Rules;
- commitment in respect of sufficient time and participation to discharge duties as a member of the Board and/or Board Committee(s).

Nomination Process

- the Nomination Committee will hold a meeting and/or by way of written resolutions to, if though fit, approve the recommendation to the Board for appointment;
- to make the recommendation to the Board in relation to the proposed appointment; and
- the Board will have the final authority on determining the selection of nominees.

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy (the “Board Diversity Policy”) which sets out the approach to achieve diversity of the Board and is subject to annual review by the Nomination Committee. In designing the Board’s composition, Board diversity is considered from a number of perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

Gender Diversity

As at the date of this annual report, the Board comprises eight Directors, one of which is female. The Company targets to avoid a single gender Board and will timely review the gender diversity of the Board in accordance with the business development of the Group.

The Company is committed to promoting gender diversity not only within the Board but among its workforce generally. As at 31 December 2022, the number of female employees of the Group accounted for 39.5% of the total workforce. The Board is of the view that the Group has achieved gender diversity among employees. The Group's recruitment strategy is underpinned by the appointment of the right employee for the right position, in order to achieve employee diversity for all employees (including the senior management) in terms of gender, age, cultural and educational background, expertise, skills and know-how.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions of the Group, the specific written terms of reference of the corporate governance functions is available on the Company's website. The primary duties of the corporate governance functions are (a) reviewing the policies and practices on (i) corporate governance and (ii) compliance with legal and regulations requirements of the Company; (b) reviewing and monitoring the training and continuous professional development of the Directors and senior management; and (c) reviewing the Company's compliance with code and disclosure in this report.

During the year, the Board reviewed the policies and practices on corporate governance, the training and continuous professional development of Directors and senior management and the Company's compliance with code and disclosure in this report.

DIVIDEND POLICY

The Company has adopted a dividend policy as set out below:

1. Purpose

The policy aims to set out the approach for the declaration and payment of dividend by the Board.

2. Vision

The Company considers stable and sustainable returns to the Shareholders to be our goal.

CORPORATE GOVERNANCE REPORT

3. Power of the Board

- 3.1 The Company may declare and distribute dividends to the Shareholders by way of cash or by other means that the Board considers appropriate.
- 3.2 In proposing any dividend payout, the Board shall also take into account, inter alia:–
- (i) the Company's actual and expected financial performance;
 - (ii) retained earnings and distributable reserves of the Company and each of the members of the Group;
 - (iii) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
 - (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;
 - (v) the Group's expected working capital requirements and future expansion plans;
 - (vi) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
 - (vii) any other factors that the Board deems appropriate.
- 3.3 Any declaration and/or payment of future dividend is subject to the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole.

4. Governing rules

Declaration of the dividend by the Company is also subject to any restrictions under the laws of Bermuda, the bye-laws of the Company and any applicable laws, rules and regulations.

5. Approval

- 5.1 The Board may from time to time pay to the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.
- 5.2 Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an AGM and must not exceed the amount recommended by the Board.

6. Review of this policy

The Board will review the policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

7. Legal validity

The policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time. There is no assurance that dividends will be paid in any particular amount for any given period.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary, a full time employee of the Company, reports directly to the Board and is responsible for, inter alia, providing updated and timely information to all Directors from time to time.

During the financial year ended 31 December 2022, the Company Secretary has complied with Rule 3.29 of the Listing Rules and took no less than 15 hours of relevant professional training.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions of Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors of the Company, all of them confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the financial statements of the Group and other financial disclosures required under the Listing Rules and the Management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The Management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibilities for establishing and maintaining appropriate and effective risk management and internal control systems, and for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Management is primarily responsible for the design, implementation and monitoring of the risk management and internal control systems.

Procedures have been designed for safeguarding the Group's assets against unauthorised use or disposal, maintaining proper accounting records, ensuring the reliability and usefulness of financial information for internal business use or for publication, and monitoring the compliance with applicable laws, rules and regulations. Furthermore, they are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or losses.

The key risk management and internal control procedures include the following:

(i) Delegation of authority within limits set by the Board

The Management of business units and functional departments have been delegated powers and authorities by the Board to carry out the day-to-day management, operation, and maintenance of the internal control systems that are appropriate to their business or function. The Group has adopted a tailored governance and organisational structure with formal and clearly defined lines of responsibility and delegation of authority to ensure segregation of duties with check and balance controls are effectively in place.

CORPORATE GOVERNANCE REPORT

(ii) Risk management process

The Credit and Risk Management Policy is formulated and adopted to regulate the setting up of system and procedures which are used to identify, evaluate, manage, and report on the material risk types facing the Group including strategic, operations, compliance, reporting, information and technology risks as well as environmental, social and governance risks. Exposure to these risks is monitored by the Risk Management Committee ("RMC"). RMC oversees and defines the Group overall risk management framework, determines the overall risk acceptance level, assesses the Group's risk profile, prioritises top risks for the Group and promotes risk awareness and management knowledge.

Under the Risk Management Framework, the five steps of the risk management process adopted are risk identification, risk assessment and prioritisation, risk manager appointment, risk responses, and risk communication and monitoring. The Group maintains a corporate risk register to record the major and significant risks that will hinder the Company from achieving its business objectives. Risk managers are appointed by the Board to monitor the identified high-risk areas of business practices on an ongoing basis and to develop the subsequent risk response action plans. The risk register is reviewed and approved by the RMC on a biannual basis for continuous risk assessment.

(iii) Changes in market condition/external environment

Processes are in place to identify new risks (including environmental, social and governance risks) arising from changes in market conditions or external environment which could expose the Group to heightened risk of loss or reputational damage. The Management is primarily accountable for measuring, monitoring, mitigating and managing the risks and controls in their areas of responsibility.

(iv) Financial reporting

The Management monitors the business activities closely and reviews monthly financial results of operations against budgets and forecasts. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. In addition, regular reviews and statutory audits are performed by our external auditor to ensure that the preparation of the Group's financial statements are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

(v) Internal audit

The establishment of the Group's internal audit function is to provide the Management with an independent and impartial view on the adequacy, efficiency and effectiveness of the Group's risk management, internal control and governance system and to provide recommendations for improvement. The Group's internal audit function is undertaken by the Internal Audit Department. A risk-based approach is adopted in developing the annual internal audit work plan that is reviewed and endorsed by the Audit Committee. The audit progress and audit observations are reported to the Audit Committee on an annual basis.

(vi) Inside information

There are internal procedures and controls for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group will immediately disclose the information to the public. The Group is committed to ensure that information contained in announcement or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

CORPORATE GOVERNANCE REPORT

(vii) Anti-money laundering

The Group has policies and procedures in governing Know Your Clients (“KYC”) and Anti-Money Laundering (“AML”). To ensure the Group is compliant with all the regulatory rules, a robust review program on KYC and AML and an AML Committee comprising senior management and Compliance Department have been put in place.

The Group appoints a designated staff as the Money Laundering Reporting Officer to hold responsibility for investigating AML issue and reporting if necessary.

To ensure all the staff within the Group keep abreast of the latest knowledge and regulatory updates in respect to KYC and AML, induction training as well as annual training is provided.

(viii) Whistle-blowing channels

The Group maintains a whistle-blowing policy to encourage employees to report any suspected misconduct contrary to our ethical belief in confidence without the fear of reprimand. Procedures are established for employees to raise complaints directly to the Compliance Department, which will evaluate the complaint and determine whether an investigation is appropriate. Compliance Department coordinates with relevant departments for investigation where recommendations for improvements are communicated to the respective management for implementation. Audit procedures, investigation results and subsequent follow-up actions taken are reported to the Audit Committee on an annual basis.

(ix) Anti-corruption policy

The Board has adopted an anti-corruption policy. The Group is committed to conducting business honestly, ethically and with integrity. In line with such commitment, the anti-corruption policy sets out the responsibilities of all business units and employees of the Group to comply with the applicable anti-corruption laws, rules and regulations. The Group adopts a zero-tolerance principle against corrupt practices. All employees are prohibited from soliciting, accepting or offering advantages from or to clients, suppliers or any person having business dealings of any kind with the Group.

Overall assessment

The Board, through the Audit Committee, has conducted an annual review of the effectiveness of our risk management and internal control systems covering all material controls, including financial, operational and compliance controls, and the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting, internal audit and financial reporting functions.

In addition, the Board has received confirmation from the Management that the Group’s risk management and internal control systems are in place and functioning effectively.

During the year ended 31 December 2022, the Board is not aware of any material internal control deficiency or significant areas of concern that may affect Shareholders’ interests.

CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance strategy and reporting. The Board is responsible for the Group's environmental, social and governance ("ESG") risk management and internal control systems to ensure that ESG strategies and reporting requirements are met. Details information on the ESG practices adopted by the Group is set out in the "Board Statement" section of the ESG Report of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with Shareholders is essential for enhancing Shareholders' knowledge and understanding of the Company. To achieve this, the Company pursues a proactive policy of promoting Shareholders communications. The main purpose of the Company's Shareholders communication policy, therefore, is to enable Shareholders to have access, on a fair and timely basis, to information that is reasonably required for making the best investment decisions.

Information relating to the Group is mainly communicated to Shareholders through publication of notices, announcements and circulars at the websites of the Company and the Stock Exchange and despatch of interim reports, annual reports and circulars to the Shareholders. Shareholders' general meetings are held in compliance with the Listing Rules and other legal requirements to ensure communication and interaction with Shareholders.

The Board reviews the Shareholders communication policy on an annual basis, and makes any changes it considers necessary to ensure its effectiveness and that the legal interests of Shareholders are substantially protected.

The Board has conducted a review of the implementation and effectiveness of the Shareholders communication policy of the Company. Having considered the diverse channels of communication in place, the Board is satisfied that an effective Shareholders communication policy has been properly implemented throughout the year ended 31 December 2022.

CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has adopted the amended and restated bye-laws by a special resolution passed on 23 December 2022. An up-to-date version of the Company's Memorandum of Association and Amended and Restated Bye-laws is available on the Company's website and the Stock Exchange's website.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a SGM and putting forward proposals at general meetings

Pursuant to the bye-laws of the Company, Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a SGM to be called by the Board.

The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM for a day within 2 months after the date of deposit of such requisition, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than 6 weeks before the meeting in case of a requisition requiring notice of a resolution or not less than 1 week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date 6 weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong or tel: (852) 2980 1333 or email: cfsg510@cash.com.hk.

Other Shareholders' enquiries can be directed to the Group Public Affairs Department of the Company at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong or tel: (852) 2287 8888 or fax: (852) 2287 8000 or email: inquiry@cash.com.hk.

CORPORATE GOVERNANCE REPORT

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Audit Committee were of the view that the Company's auditor, Messrs. Deloitte Touche Tohmatsu is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming AGM. During the year, Messrs. Deloitte Touche Tohmatsu has rendered audit services and certain non-audit services to the Company and the remuneration paid/payable to it by the Company are set out as follows:

| Services rendered | Fees paid/payable |
|---|--------------------------|
| | HK\$ |
| Audit services | 2,200,000 |
| Non-audit services: | |
| Tax advisory | 348,660 |
| Review of the continuing connected transactions | 70,000 |
| Review of the preliminary results announcement | 30,000 |
| | <hr/> |
| | 2,648,660 |
| | <hr/> |

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 24 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance Report (the “ESG Report”) summarises the environmental, social and governance (“ESG”) initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

SCOPE OF REPORTING

Unless stated otherwise, the ESG Report covers the Group’s business activities of subsidiaries in Hong Kong, which represent the Group’s major source of investment and income. The ESG data and related ESG key performance indicator (“KPI”) that the Group has direct access to and is under the Group’s direct operational control of our three offices in Kowloon Bay, Mongkok, and Causeway Bay have been included in the ESG Report.

REPORTING FRAMEWORK

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

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

Materiality The materiality assessment was conducted to identify material issues during the financial year ended 31 December 2022 (the “Reporting Period”), thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. Please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment” for further details.

Quantitative Supplementary notes are added along with quantitative data disclosed in the ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of emissions and energy consumption.

Consistency The preparation approach of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report on pages 17 to 32 of this annual report.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges, measures taken by, compliance and results of the Group during the financial year ended 31 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

Oversight of ESG Issues

The board of directors (the “Board”) holds the ultimate responsibility on monitoring the Group’s ESG issues, including ESG management approach, strategy, and policies. In order to better manage the Group’s ESG performance and identify potential risks, the Board conducts materiality assessment where necessary with the assistance of the ESG committee to evaluate and prioritise material ESG-related issues with reference to the opinions of our stakeholders.

The ESG Committee

The ESG committee, composing of core members from different departments, is established to facilitate the Board’s oversight of ESG matters. The ESG committee is responsible for collecting and analysing ESG data, monitoring and evaluating the Group’s ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG committee arranges meetings when required to evaluate the effectiveness of current policies and procedures and formulate appropriate solutions to improve the overall performance of ESG policies. At meetings, the ESG committee discussed the existing and upcoming plans to monitor and manage the Group’s strategic goals in terms of sustainable development, mitigate potential risks, and minimise their negative impacts on our business operations. By setting ESG-related goals and targets to minimise the environmental impacts from the Group’s operation, the Group affirmed its commitment in embedding sustainability into the business operation and fulfil its corporate responsibility. The ESG committee would report to the Board, assist in assessing and identifying the Group ESG risks and opportunities, evaluate the implementation and effectiveness of internal control mechanism, and review the progress of the set goals and targets.

TOTAL CARING ORGANISATION

To become a Total Caring Organisation, the Group is dedicated to:

- Meeting the needs of our customers with quality products and innovative services;
- Creating an enjoyable work environment to highly engage our employees so as to maximise their potential;
- Minimising our operational impact on the natural environment; and
- Contributing to the betterment of the community, especially that of the next generation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG performance. To understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to employees, shareholders and investors, customers, suppliers and business partners, government and regulatory authorities, and the community.

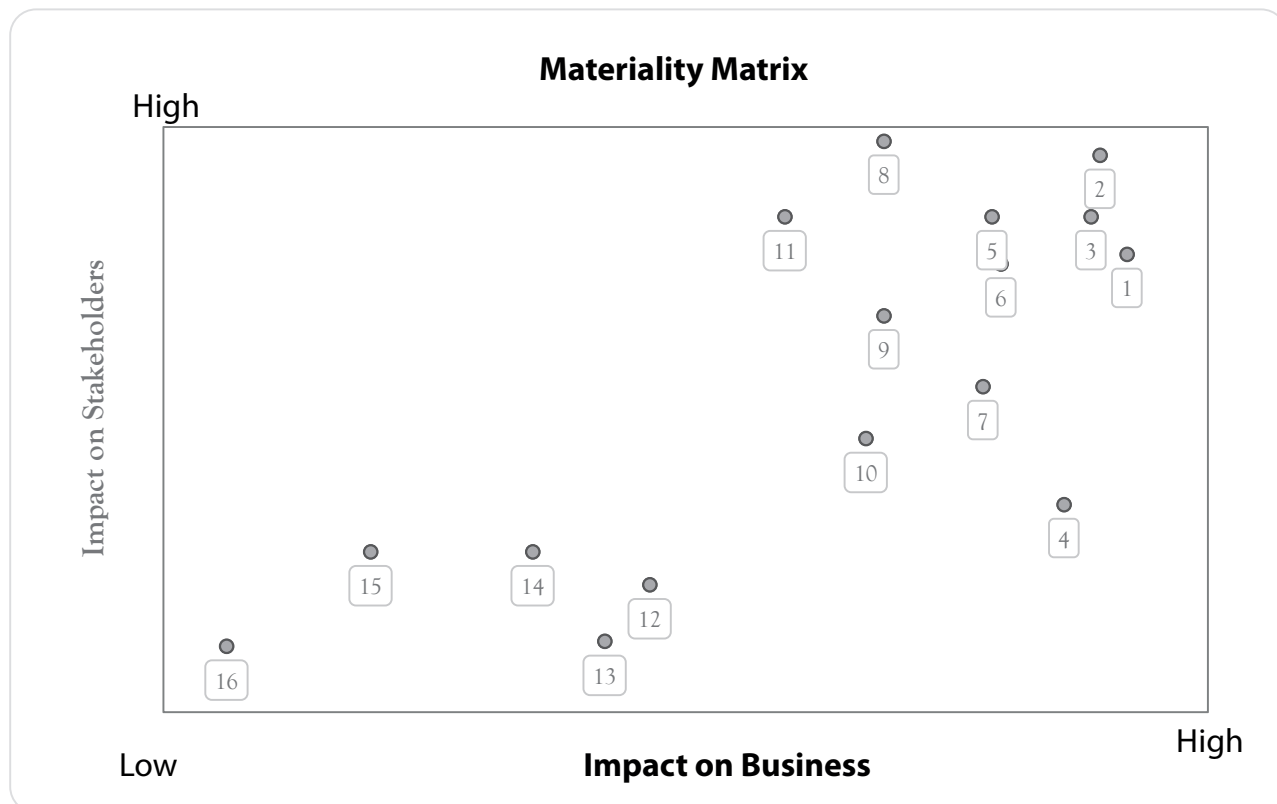
In formulating operational and ESG strategies, the Group considers stakeholders' expectations through a diverse range of engagement methods and communication channels, as shown below:

| Stakeholders | Communication Channels | Expectations |
|---------------------------------------|---|---|
| Employees | <ul style="list-style-type: none"> • Regular performance appraisal • Training and workshops • Internal announcement | <ul style="list-style-type: none"> • Remuneration and benefits • Equal opportunities • Career development • Occupational health and safety |
| Shareholders and investors | <ul style="list-style-type: none"> • Annual general meeting • Financial reports • Announcements and circulars | <ul style="list-style-type: none"> • Financial performance • Information transparency • Shareholder rights protection |
| Customers | <ul style="list-style-type: none"> • Customer service hotline and email • Company website | <ul style="list-style-type: none"> • Customer privacy protection • High quality customer services • Business ethic and integrity |
| Suppliers and business partners | <ul style="list-style-type: none"> • Supplier conferences and meetings | <ul style="list-style-type: none"> • Supply chain management • Fair and open procurement • Mutual benefit |
| Government and regulatory authorities | <ul style="list-style-type: none"> • Regular performance supervision and evaluation • Written or electronic correspondences • Publications | <ul style="list-style-type: none"> • Compliance with laws and regulations • Corporate governance |
| Community | <ul style="list-style-type: none"> • Community events • ESG reports | <ul style="list-style-type: none"> • Community participation • Corporate social responsibility • Providing job opportunities • Environmental protection |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

A materiality assessment in the form of surveys was conducted during the Reporting Period, where the Group identified sustainability factors that were material to our business operations. The management and employees who are responsible for the key functions of the Group have participated in preparing the ESG Report, assisted the Group in reviewing its operations, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. The Group has compiled a questionnaire in reference to the identified material ESG aspects to collect the information from relevant departments and business units of the Group. The Group's material sustainability aspects will be covered in the ESG Report and the materiality matrix is as follow:



Major ESG Issues

- | | |
|--|--|
| 1. Anti-money laundering ("AML") and counter-terrorist financing ("CTF") | 9. Equal opportunities and anti-discrimination |
| 2. Customer services | 10. Corporate social responsibility |
| 3. Employee recruitment and promotion | 11. Occupational health and safety |
| 4. Data and privacy protection | 12. Advertising and labelling |
| 5. Employee remuneration and benefit | 13. Climate change |
| 6. Anti-corruption | 14. Responsible use of resources |
| 7. Development and training | 15. Supply chain management |
| 8. Product responsibility | 16. Emission control |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide your valuable advice with regard to the ESG Report or the Group's performances in sustainable development by visiting our website at www.cfsg.com.hk.

A. ENVIRONMENTAL

A1. Emissions

Environmental protection and sustainable development rely on concerted and continuous efforts from all industries and society. We strive to promote the vision of "Green CASH", by being an environmentally responsible company. The Group proactively seeks opportunities to conserve energy, utilise resources more efficiently and reduce waste. Besides establishing environmental policies and communicating measurable environmental objectives to our employees, we also keep ourselves up-to-date with local environmental standards.

During the Reporting Period, the Group received several awards which recognised our effort in promoting environmental protection. The awards received by the Group during the Reporting Period are listed below:

| Name of Award | Awarding Organisation |
|--|----------------------------------|
| Hong Kong Green Organisation Certificate | Environmental Campaign Committee |
| Sustainable Business Award 2021 | World Green Organisation |

The Group strives to continuously improve our performance on environmental management.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste that would have a significant impact on the Group. The said laws and regulations include but are not limited to the Air Pollution Control Ordinance and the Waste Disposal Ordinance.

Air Emissions

Due to the Group's business nature, only an immaterial amount of air emissions was generated from the use of company vehicles. Description of mitigation measures of emissions will be provided in the following section – GHG Emissions.

GHG Emissions

The principal GHG emissions of the Group were generated from purchased electricity consumed in offices (Scope 2). To mitigate the biggest attributor of the GHG emissions, the Group has active adopted energy conservation measures to achieve green office which are described in the section headed "Energy Management" under aspect A2. On the other hand, video-conferencing systems have been installed in offices to reduce travel and as a result reduce other indirect GHG emissions.

The Group's total GHG emissions intensity during the Reporting Period increased by approximately 60.74%. This is attributable to the Causeway Bay service centre being operational for the whole year, while it has only been operational for three months during the previous year and the decrease in revenue. To ensure the effectiveness of the measures, the Group decided to set a target of reducing the total GHG emissions intensity (tCO₂e/million revenue) by 2025 compared to 2021, being the year setting the target.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Summary of GHG emissions performances:

| Scope of GHG emissions ¹ | Unit ² | 2022 | 2021 |
|--|------------------------------------|---------------|--------|
| Direct GHG emissions (Scope 1) | tCO ₂ e | 2.37 | – |
| Energy indirect GHG emissions (Scope 2) | tCO ₂ e | 146.63 | 130.68 |
| Total GHG emissions | tCO ₂ e | 149.00 | 130.68 |
| Total GHG emissions intensity ³ | tCO ₂ e/million revenue | 2.17 | 1.35 |

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, “How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, the Global Warming Potential Values from the IPCC Fifth Assessment Report, 2014 (AR5), the Sustainability Report 2021 issued by Hong Kong Electric, and the Sustainability Report 2021 issued by CLP Holdings Limited.
2. tCO₂e is defined as tonnes of carbon dioxide equivalent.
3. During the Reporting Period, the Group recorded a revenue of approximately HK\$68,792,000 (2021: HK\$96,863,000). The data is also used for calculating other intensity data.

Sewage Discharge

Due to the Group’s business nature, the sewage discharge into land is insignificant. Similarly, there was no significant and unreasonable amount of sewage water discharged; used water was discharged to the municipal sewage network to the regional water treatment plant.

Waste Management

Due to the business nature, the Group’s operation does not generate hazardous waste.

The waste generated from the business activities of the Group is mostly paper. The Group pursues high standard in waste reduction and educates all staff on the importance of sustainability while providing them with the skills and support to implement it.

In our offices, waste separation facilities have been implemented. We also provide recycle bins for collecting scrap paper, plastic bottles, aluminum cans, and recyclable toner cartridges, which are then delivered to the recycling agents for further processing. During the Reporting Period, the Group collected a total of 195 pieces of aluminum cans, 310 pieces of plastic bottles, 985 kg of scrap paper and 20 pieces of toner cartridges at offices for recycling. The Group will continue to promote employee awareness on waste recycling.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Apart from recycling, a series of programmes and activities have been launched in the office to encourage the participation of staff towards waste management, which include:

- Implementing a Green Information and Communication Technology (ICT) Platform, including systems such as E-workflow and CASHARE (intranet) to build a highly efficient “paperless, IT-driven and systematic” working environment;
- Installed multi-functional printers with card authentication system in order to reduce paper waste in the office by preventing uncollected printouts from piling up in the printer tray;
- Achieving waste reduction goals set under the Wastewiße Certificate recognition scheme;
- Posting a “Green message” reminder at all office equipment;
- Applying used envelopes for internal document circulation; and
- Recommending duplex or 2-on-1 page copying on recycled paper.

The Group hopes that our stakeholders will join us and pursue a sustainable operation. We encourage reduced paper consumption by offering shareholders choices to consent to receiving corporate communications materials by electronic means. We also encourage customers to use e-statements on our online portal in order to save paper.

The Group’s paper disposal intensity during the Reporting Period increased by approximately 54.52%. To ensure the effectiveness of the measures, the Group decided to set a target of reducing the total non-hazardous wastes intensity (kg/million revenue) by 2025 compared to 2021, being the year setting the target.

Summary of major non-hazardous waste discharge performance:

| Types of waste | Unit | 2022 | 2021 |
|--------------------------------------|--------------------|-----------------|----------|
| Office paper | kg | 2,915.02 | 2,656.10 |
| Total non-hazardous wastes | kg | 2,915.02 | 2,656.10 |
| Total non-hazardous wastes intensity | kg/million revenue | 42.37 | 27.42 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2. Use of Resources

The Group recognises its responsibility to take the initiative in efficiently utilising finite resources and carries out its corporate social responsibility to introduce additional eco-friendly approaches to enhance the Group's sustainability performance. Therefore, the Group has established the Green Office Policy to achieve energy conservation.

Energy Management

In daily operation, the Group's major energy consumption are electricity consumed in office. In order to reduce our energy consumption, the Group has launched a wide variety of green measures for awareness building towards energy conservation:

1) Lighting

- T5 energy-efficient lighting tubes have been installed at offices;
- Staff is encouraged to switch off lighting while they are duty-off;
- Partial lighting should be switched off provided that sufficient sunlight is available indoors; and
- "Light-off" during lunch hour is highly recommended.

2) Office equipment

- Computers and other electronic equipment should be powered off while they are not in use for energy conservation; and
- Security guards patrol the offices at night to ensure all non-use equipment is switched off.

Apart from the measures adopted at office, the Group participated in the "Earth Hour" campaign by turning off the offices' lighting for one hour with an aim to encourage the participation of staff and arise their concern.

Due to addition of a company vehicle and full operation of the Causeway Bay service centre and the decrease in revenue, the Group's energy consumption intensity during the Reporting Period increased by approximately 49.68%. To ensure the effectiveness of the measures, the Group decided to set a target of reducing the total energy consumption intensity (kWh/million revenue) by 2025 compared to 2021, being the year setting the target.

Summary of energy consumption performance:

| Types of energy | Unit | 2022 | 2021 |
|------------------------------------|---------------------|-------------------|------------|
| Direct energy consumption | | | |
| • Petrol | kWh | 8,629.77 | – |
| Indirect energy consumption | kWh | 358,239.00 | 345,117.00 |
| • Electricity | | | |
| Total energy consumption | kWh | 366,868.77 | 345,117.00 |
| Total energy consumption intensity | kWh/million revenue | 5,333.02 | 3,562.94 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Management

The Group does not consume significant amounts of water through our business activities. During the Reporting Period, our office in Causeway Bay consumed 36 m³ of water. Water usage in our offices in Kowloon Bay and Mongkok is included in the management fee as water supply facilities are provided and managed by property managers on our rental premises, therefore no meter reading is available. Water consumption intensity is not considered as an applicable performance indicator due to partial availability of data. The Group targets to promote water conservation in all of our operating locations.

Although the water consumption is considered minimal, we also encourage saving by driving behavioural changes in the workplace. Green messages are posted in pantries and washrooms as reminders for using water efficiently.

Use of Packaging Material

Packaging material is not consumed during our service delivery, hence the related disclosure is not applicable for the Group.

A3. The Environment and Natural Resources

The Group is committed to minimising negative environmental impacts occasioned by the Group's business operations. Despite that the business activities of the Group do not significantly impact the environment and natural resources, we continue to be vigilant to the potential environmental impacts arising from its business operations.

Working Environment

The Group is committed to providing employees with a comfortable and green working environment to increase work efficiency. We strive to maintain a hygienic and neat environment in the workplace. The Group signed the Hong Kong General Chamber of Commerce's Clean Air Charter to reduce emissions and create cleaner air. We acted on the Chamber's 7-7-7 Care-for-Air Guidelines for the public and called on our staff to take practical steps to contribute to improving air quality at home, at work, and while travelling. Besides, the Group engaged in many different governmental environmental protection campaigns, including Green Office Education, Green Day, Biz Green Dress Day, Reuse and Recycle Program and Action Blue Sky.

A4. Climate Change

The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore closely monitors the potential impact of climate change on our business and operations. In accordance with the reporting framework developed by the "Task Force on Climate-related Financial Disclosures", there are two major categories of climate-related risks, physical and transition risks.

Physical Risks

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rains, and extreme cold or heat pose acute and chronic physical risks to the Group's business. The Group's capacity and productivity will be reduced under extreme weather events as the safety of our employees is threatened and the operational sites might be damaged, which exposes the Group to risks associated with non-performance and delayed performance, leading to direct negative impact on the Group's revenue.

To minimise the potential risks and hazards of extreme weather events, such as typhoon and black rainstorm, which might cause interruptions on our business, the Group has established mitigation plans including flexible working arrangements, and precautionary measures such as regular inspection of office premises. Moreover, we maintain comprehensive insurance coverage for assets that are prone to damage by extreme weather conditions, minimising the potential maintenance and repair costs required.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Transition Risks

To achieve the global vision on carbon neutrality, the Group expects evolution of the regulatory, technological and market landscape due to climate change, including the tightening of national policies and listing rules and the emergence of environmentally related taxes. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, which might incur additional compliance costs and affect the reputation of the Group.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. In addition, the Group has been taking comprehensive environmental protection measures, including GHG reduction measures, has set targets to gradually reduce the Group's energy consumption and GHG emissions in the future.

B. SOCIAL

B1. Employment

Respect for the rights of everyone who works for us is fundamental to the sustainability of the Group and the communities in which we operate. Our commitment to operate with respect for individuals is reflected in all aspects of the Group's business operations and is integrated in our policies and relevant procedures. We are committed to providing a happy and family-friendly workplace.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance, the Minimum Wage Ordinance, the Employees' Compensation Ordinance, the Sex Discrimination Ordinance, and the Disability Discrimination Ordinance of Hong Kong.

As at 31 December 2022, the Group had a total of 81 employees (2021: total 130 staff). Total workforce by gender, age group, geographical region and employment type is as follows:

| | 2022 | 2021 |
|----------------------------|------|------|
| Total number of employees | 81 | 130 |
| Gender | | |
| Male | 49 | 80 |
| Female | 32 | 50 |
| Age Group | | |
| Below 30 years old | 14 | 27 |
| 30 – 50 years old | 48 | 77 |
| Over 50 years old | 19 | 26 |
| Geographical region | | |
| Hong Kong | 81 | 130 |
| Employment Type | | |
| Full-time | 78 | 123 |
| Part-time | 3 | 5 |
| Temporary contract | 0 | 2 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, Promotion and Dismissal

The Group has set out the Staff Recruitment Policy for our Human Resources Department to ensure that appropriate and standardised recruitment process is maintained. The policy will be reviewed regularly, and modified as required, to reflect changes in the Group's development, best practice in recruitment process and compliance with the relevant legislation.

The Group devised an effective performance management system where regular performance appraisal is carried out to provide a two-way communication platform for improved employee relationships with the support of timely coaching and counseling and to give feedback on employees' performance and help identify individual training needs so as to enhance performance and to develop the potential of the employee for further advancement. Procedures are set out in the Employee Handbook. Through the performance appraisal, the Group review and adjusts salary based on our transparent incentive structure.

The termination of employment contract is set out in the Employee Handbook and governed by internal policies to ensure all dismissals comply with relevant laws and regulations in Hong Kong. The Group strictly prohibits any kinds of unfair or illegitimate dismissals.

During the Reporting Period, the Group recorded a turnover rate of approximately 41.71% (2021: 54.48%). The turnover of employees was mainly due to the restructuring of the Group's operation. The table below shows the employee turnover rate by gender, age group and geographical region:

| | 2022 |
|----------------------------|-------------------------------------|
| | Turnover rate⁴(%) |
| Gender | |
| Male | 26.54 |
| Female | 15.17 |
| Age Group | |
| Below 30 years old | 12.32 |
| 30 – 50 years old | 22.75 |
| Over 50 years old | 6.64 |
| Geographical region | |
| Hong Kong | 41.71 |

Note:

4. Calculation methodology of turnover rate: employees in the specified category leaving employment divided by the average of total number of employees of the Group at the beginning and the end of the Reporting Period.

Remuneration and Benefits

As a Hong Kong-based investment and wealth management advisory group, CFSG fully understands that our success lies in the quality of service we provide to our customers and therefore our ability to attract, retain and motivate quality employees. The Employee Handbook is formulated to stipulate general practices and policies related to employment, compensation and benefits. To stay competitive, our base salaries are within industry norms, contributing to our ability to attract and retain highly skilled and motivated staff.

To attract talented people, the Group provides fair and competitive remuneration and benefits to our employees. We benchmark our remuneration system with the market to ensure our ability to motivate our talent pool. The Group adopts a comprehensive and people-oriented leave system, where comprehensive benefits are provided to all staff, including annual leave, birthday leave, marriage leave, maternity leave, compassionate leave, and paternity leave. We have pioneered the introduction of the following benefits for employees, including marriage gift coupon, red packet for new-born babies, purchase discount and financial trade discount for our employees. In addition, to express our appreciation to staff who have contributed to the Group for many years, we regularly show our gratitude with long service awards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Diversity and Equal Opportunities

The Group is committed to developing, maintaining and supporting a culture of equality and diversity in employment, on the basis of age, race, colour, nationality, religious belief, disability, sexual orientation, political opinion and any other status protected by applicable legislations and ordinances. We believe that the diversity can enrich all employees by providing a more rewarding and less stressful environment. No one shall be discriminated at recruitment, selection, employment, compensation, transfers, promotion, training or development. Qualified individuals are employed to carry out our fiduciary duties based on their education, experience, and ability without discrimination.

Work-life Balance

The Group strives to help employees maintain a good work-life balance, which we believe helps them to sustain their performance at work and our business. To assist employees to balance their lives, we arrange activities under three different themes: wellness, happiness and vivacity. The Group introduces family-friendly employment practices, including offering family leave benefits and employee support schemes. To promote well-being and enhance their relationships, the Group also organised after-work activities for employees.

B2. Health and Safety

Ensuring the health and safety of our employees is an integral part of our business activities. Therefore, we are dedicated to maintaining a safe, hygienic, and productive workplace by minimising the potential risk of accidents, injuries and exposure in relation to health risks. We ensure all employees are competent at work and are given adequate training to comply with all local legislations and ordinances with regard to health and safety.

The Group attaches prime importance to ensuring a safe working environment, with measures in place to deal with natural disasters, fire, disease and accidents. We encourage our employees to treat health and safety as parts of their individual responsibility. The Group's health and safety procedures are revised from time to time to ensure that they are risk-focused and that responsibilities are clearly defined.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group including but not limited to the Occupational Safety and Health Ordinance and the Employees' Compensation Ordinance of Hong Kong. During the Reporting Period, there were no reported cases of work-related fatalities and no lost days due to work injury. The Group has achieved zero work-related fatalities in the past three years.

Occupational Health and Safety

Occupational health and safety record is maintained to ensure that a healthy and safe workplace is provided for our employees at all times. Preventive measures were undertaken with the use of appropriate office equipment as well as performing periodic office risk assessment to enhance workplace safety. We also regularly arrange vaccination programme to protect our staff from various diseases, and dental packages to subsidise scaling and check-ups. In addition, we purchase comprehensive medical insurance plans for our employees and their families.

Under the COVID-19 pandemic, the Group places close attention to our employees' health condition and strives to protect them from the diseases. Emergency Contingency Plan has been implemented and the Group has adopted various working arrangement as precautionary measures. The Human Resources and Administration Department has circulated internal memo to our employees regarding the flexible working arrangement, office hygiene measures, and personal health monitoring measures. We also provide COVID-19 antigen rapid test swab for our employees to self-test effectively.

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B3. Development and Training

We are committed to ensuring that the talents, skills and abilities of our employees are recognised and are utilised to their full capacity. The Group has implemented various training policies and organised a number of training programmes aiming specifically at improving the skills and developing the talents of our employees and generally increasing the competitiveness, productivity and efficiency of the Group.

Our training programmes are developed based on business needs and competencies of employees. We provide tailor-made management training workshops for management-level employees of the Group to enhance communication skills, the ability to face adversity as well as team spirit. During the Reporting Period, we organised numbers of in-house classes including training in areas such as customer service, knowledge on products, operational and selling techniques, career orientation, risk and compliance, graduate development, Continuous Professional Training (CPT) of professional qualifications, and professional license examinations preparation. To improve our frontline performance, we provide language enhancement programmes continuously to help enhance employees' language proficiency and sales culture training to develop a competitive spirit and inspires team spirit among sales teams and support teams. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

During the Reporting Period, the Group has achieved a total training hour of 1,420.5 hours. The table below shows the employee training data by gender and employee category:

| | Percentage of employees trained⁵(%) | Average training hours per employee (hours)⁶ |
|--------------------------|---|--|
| Gender | | |
| Male | 95.92 | 16.64 |
| Female | 81.25 | 8.69 |
| Employee Category | | |
| Senior Management | 100 | 58.50 |
| Middle Management | 95.45 | 14.62 |
| General | 86.79 | 7.61 |

Notes:

5. Calculation methodology of percentage of employees trained: number of employees in the specified category who took part in training divided by number of employees in the specified category at the end of the Reporting Period.
6. Calculation methodology of average training hours: total training hours of employees in the specified category divided by number of employees in the specified category who took part in training.

B4. Labour Standards

Prevention of Child and Forced Labour

The Group prohibits the recruitment of child and forced labour as prescribed by laws and regulations. The Group strictly complies with local laws and shall not provide job opportunities to those who are under the legal working age of respective jurisdictions.

To avoid illegal employment of child labour and underage workers, the Human Resources and Administration Department of the Group is responsible for verifying personal data such as the identification card during the recruitment process. If violation is involved, it will be dealt with according to circumstances. No employee shall be compelled to work against his or her will through force or intimidation of any form or subjected to corporal punishment or coercion of any type related to work. Overtime compensation procedures are set out in the Employee Handbook where overtime compensation leave will be provided to eligible employees when they are required to work overtime.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, that would have a significant impact on the Group including but not limited to the Employment of Children Regulations and the Employment Ordinance of Hong Kong.

B5. Supply Chain Management

Supply Chain Management

The Group is committed to creating a sustainable relationship with our suppliers and consultants through operating in an open and fair manner. Our major suppliers mainly consist of hardware and software providers. During the Reporting Period, the Group has engaged 14 major suppliers, 13 of them are located in Hong Kong, and one of them is located in China.

To ensure that the suppliers meet our requirements in regard to quality, environmental and social standards, we have set out Purchasing Control and Supplier Assessment Procedures for the assessment, review, approval and disapproval of suppliers and subcontractors. Prior to making any procurement decisions, we will conduct assessments on suppliers and consultants to avoid environmental and social risks. We maintain a list of approved suppliers and consultants; they may be suspended or removed from the approved list if they fail to fulfil the agreed standards. During the Reporting Period, the Group conducts vendor solution comparison for two of our software suppliers who supported our IT projects.

Green Procurement

To support sustainability, our Green Supply Chain initiative applies strict environmental, social and ethical criteria to the suppliers of our business. We place high demands on suppliers and the Group shall select suppliers with standards set by the Group as our prefer suppliers. We have incorporated sustainability considerations into our sourcing and outsourcing practices, requiring suppliers to meet the basic standards. For example, all suppliers are expected to adhere to these basic principles:

- Operating as an equal opportunity employer and recognising the right to collective bargaining as well as minimum and prevailing wages and benefits;
- Maintaining probity and accountability standards;
- Minimising discrimination against small and medium-sized enterprises or local vendors;
- Providing a healthy and safe working environment, not using any forced or child labour, and refraining from harassment or abuse of employees; and
- Supporting sustainable development, acting responsibly with regard to the environment, observing environmental criteria to conserve resources, minimising the negative environmental effects of the production, application and disposal of products, and reducing the use of hazardous products as much as possible.

B6. Product Responsibility

As a total caring organisation, it is our mission to provide our customers with a meaningful experience when utilising our services, therefore the Group understands the importance of expertise for ensuring service quality. Satisfying our clients is our central focus. This principle guides all our activities and applies to all business divisions. The key elements are transparency and high-quality advice, which enable us to improve client satisfaction and achieve customer loyalty in the long term.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the Trade Descriptions Ordinance and the Personal Data (Privacy) Ordinance of Hong Kong, concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress. Given the Group's business nature, the Group was not involved in the sale of products, therefore disclosure on product recall procedures and number of products recalled are not applicable.

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Customer Services

The Group is committed to providing the highest quality of service to its customers. We aim to customise our solutions based on the unique needs of customers, in delivering sustainable value and fostering long-term relationship with our customers. During advertising, we ensure information and marketing materials are easily understood and provide all relevant information in facilitating the decision making of investors. Our employees are committed to providing professional advice to clients in understanding the characteristics, functions and risks of a financial instrument.

The Group maintains an open and welcoming attitude to feedback and complaints from the Group's customers and guests, as the Group views it as an opportunity to improve its service. Procedures for handling complaints are detailed in the Complaint and Suggestion Handling Policy for the reference of relevant employees. Should the Group receive any complaints, the Group will strive to act immediately to resolve the issue with effective corrective actions.

During the Reporting Period, the Group has received 1 response from our customer. The Group communicated with the clients and delegated responsible departments to understand the issues immediately. All complaints are handled promptly under the procedures set out in our internal policy and were reviewed in the monthly compliance meeting.

Safeguarding Customer Assets

Certain subsidiaries of the Group are licensed and regulated under the SFC. As a custodian of customers' assets, we implement the necessary controls to properly handle and safeguard customers' assets according to relevant laws and regulations.

Segregated accounts are maintained in keeping customers' assets. Transactions should only be executed when customers' consent is received, or customers' obligation is required to be met on agreed contracts. Adequate audit trail is maintained to enable investigation of suspected irregularities. Regular compliance reviews and audits are conducted to detect any non-compliance with regulatory requirements. Any irregularities should be immediately reported to the Management and the relevant authorities.

Handling of Personal Data

The Group strictly adheres to regulatory requirements on data privacy, through fulfilling high security and confidentiality of personal data privacy protection. We are committed to maintaining and protecting personal data.

Internal policy has been established to govern the collection and handling of personal data received from a data subject. Under our data protection principles, a Privacy Policy Statement ("PPS") is acknowledged to enable the public to ascertain the data user's general policies and practices in relation to the collection, holding and use of individual personal data. Also, the Group has set in place Cyber Security Policy to help outline the security measures put in place to ensure information remains secure and protected.

Furthermore, in accordance with our data protection principles, a Personal Information Collection Statement ("PICS") is acknowledged whenever there is collection of personally identifiable information from individuals to notify data subjects of certain matters in relation to specific collections of personal information from them. The Group will not use or provide personal data to any person for use in direct marketing unless we have obtained the data subject's consent in writing. Meanwhile, the Group maintains sound safety system and measures to prevent unauthorised use of personal data.

Protection of Intellectual Property Rights

Policies and measures regarding the protection of intellectual property rights are in place. For any infringement of the Group's intellectual property rights, the Group will urge infringers to cease such action. The Group shall take further action should infringement continue.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-corruption

The Group strives to promote and maintain the highest standards of honesty, integrity and fairness. All of our staff must ensure that the Group's reputation is not tarnished by dishonesty, disloyalty or corruption. Policies on the aforementioned matters are clearly stated within the Employee Handbook.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the Prevention of Bribery Ordinance of Hong Kong that would have a significant impact on the Group. During the Reporting Period, there were no concluded legal cases regarding any forms of corrupt practices fraud brought against the Group or its employees.

Whistle-blowing channels

The Group maintains a whistle-blowing policy to encourage employees to report any suspected misconduct contrary to our ethical belief in confidence without the fear of recrimination. Procedures are established for employees to raise complaints directly to the Compliance Department, which will evaluate the complaint and determine whether an investigation is appropriate. Compliance Department coordinates with relevant departments for investigation where necessary and recommendations on improvements are communicated to the respective management for implementation. Audit procedures, investigation results and subsequent follow-up actions taken are reported to the Audit Committee on an annual basis.

Anti-corruption Training

Training related to anti-corruption are rendered to our management and employees to boost their awareness on the prevention of any kind of unethical behaviour such as bribery, extortion, fraud and money laundering. During the Reporting Period, 8 directors of the Group attended training on ethics legacy for a total of 8 hours, while 46 employees attended training on Prevention of Bribery Ordinance for a total of 46 hours.

B8. Community Investment

Community Engagement

Caring about the interests of the communities and people we serve is encapsulated in our "People-Oriented" core corporate value guiding our business and day-to-day operation. The Group and our employees are dedicated to working hand-in-hand with local communities in a variety of initiatives, ranging from job creation to youth education and disaster relief.

Recognising our "People-Oriented" and "Total Caring" values, the Group was honoured with the Sustainable Business Award by the World Green Organisation.

In support of rescuing homeless stray animals, for each new customer who successfully opened an Alpha i trading account, the Group donated to "Merit Veterinary Medical Centre – House of Joy and Mercy" (阿棍屋善行動物診所) in June 2022 and sponsored provision of furniture for the charity in July 2022 to facilitate its work offering free medical services for homeless strays.

As part of our efforts to help the grassroots, our staff volunteered to help at the "Food Angel" Kitchen in September 2022, preparing surplus food as nutritious meals redistributed to underprivileged communities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Committed to supporting FinTech development and education in Hong Kong, CFSG supported and sponsored the “2022 CUHK Conference on Financial Technology” in November 2022 at the Faculty of Engineering of The Chinese University of Hong Kong. At the conference aiming to inspire development opportunities, promote FinTech education, and drive advancement of FinTech in the city, industry experts shared their views and explored the prospects of the Metaverse and Web3, Executive Director and Head of Business of CFSG, Ms Angela Wong, also participated, joining industry experts for in-depth dialogue on relevant topics such as digital economy and the risks and opportunities of central bank digital currency.

Embracing diversity and respecting individual needs, CFSG promoted UNICEF’s campaign #SayYesToBreastfeeding by establishing a “breastfeeding area” in the office in support of breastfeeding-friendly premises.

Putting into practice our core value of “Total Caring”, the Group donated quilts and distributed them to people in need through the New Home Association and BlessVision Foundation in December 2022, so the underprivileged elderly and low-income families could keep warm in winter and celebrate the New Year in good health.

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 24 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs

Description

Section/Declaration

A. Environmental

Aspect A1: Emissions

| | | |
|--------------------|---|---|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | Emissions |
| 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). | Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and intensity. | Emissions (Not applicable – Explained) |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and intensity. | Emissions |
| KPI A1.5 | Description of emission target(s) set and steps taken to achieve them. | Emissions |
| 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. | Emissions |

Aspect A2: Use of Resources

| | | |
|--------------------|--|--|
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | Use of Resources |
| KPI A2.2 | Water consumption in total and intensity. | Use of Resources |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Use of Resources |
| 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. | Use of Resources |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and with reference to per unit produced. | Use of Resources (Not applicable – Explained) |

Aspect A3: The Environment and Natural Resources

| | | |
|--------------------|---|---------------------------------------|
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | 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. | The Environment and Natural Resources |

Aspect A4: Climate Change

| | | |
|--------------------|--|----------------|
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | 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. | Climate Change |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Subject Areas,
Aspects, General
Disclosures and
KPIs**

Description

Section/Declaration

B. Social

Aspect B1: Employment

General Information on: Employment

Disclosure (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.

KPI B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. Employment

KPI B1.2 Employee turnover rate by gender, age group and geographical region. Employment

Aspect B2: Health and Safety

General Information on: Health and Safety

Disclosure (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.

KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. Health and Safety

KPI B2.2 Lost days due to work injury. Health and Safety

KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored. Health and Safety

Aspect B3: Development and Training

General Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Development and Training

Disclosure

KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). Development and Training

KPI B3.2 The average training hours completed per employee by gender and employee category. Development and Training

Aspect B4: Labour Standards

General Information on: Labour Standards

Disclosure (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.

KPI B4.1 Description of measures to review employment practices to avoid child and forced labour. Labour Standards

KPI B4.2 Description of steps taken to eliminate such practices when discovered. Labour Standards

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Subject Areas,
Aspects, General
Disclosures and
KPIs**

Description

Section/Declaration

Aspect B5: Supply Chain Management

| | | |
|--------------------|---|-------------------------|
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | 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. | Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | 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. | Supply Chain Management |

Aspect B6: Product Responsibility

| | | |
|--------------------|---|--|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Product Responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Product Responsibility |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Product Responsibility |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Product Responsibility (Not applicable – Explained) |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Product Responsibility |

Aspect B7: Anti-corruption

| | | |
|--------------------|--|-----------------|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 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. | Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Anti-corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | Anti-corruption |

Aspect B8: Community Investment

| | | |
|--------------------|--|----------------------|
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Investment |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Investment |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Community Investment |

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are (a) provision of online and traditional brokerage of securities, futures and options as well as general and life insurance, mutual funds and mandatory provident fund products, (b) proprietary trading of debt and equity securities and derivatives, (c) provision of margin financing and money lending services, and (d) provision of asset management services.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 69 of this annual report.

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the sections of "Financial Review" and "Management Discussion and Analysis" of this annual report, and in note 41 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 41 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the section of "Financial Review" of this annual report.

Save as disclosed in this report, there is no important event affecting the Group that has occurred since the end of the financial year ended 31 December 2022.

RELATIONSHIPS WITH STAKEHOLDERS

We fully understand that our business is built on the long-term well-being of the "people" in our service areas at large.

Throughout the course of our business development, we care about the needs of our key stakeholders, inter alia, our shareholders, our employees, our customers, our suppliers and our community. As such, we strive to become a "Total Caring Organisation" to embrace the all-round needs of our key stakeholders.

The Group upholds the "People-oriented" principle as our core belief and this forms the essence of our corporate culture. We respect the various needs of these "people" as our stakeholders and we strive to balance the different spectrum of interests for the development of a better future.

Our five core values namely "People", "Customers", "Quality", "Teamwork" and "Change" serve as the guiding principles for the whole team to move ahead.

We are dedicated to creating an enjoyable work environment to highly engage our employees so as to maximise their potential, meeting the needs of our customers with quality products and innovative services and enhancing cooperation with our suppliers so as to provide high-quality products and services to our customers so as to ensure our sustainable development.

DIRECTORS' REPORT

Shareholders

The Company is committed to communicating with our shareholders and the financial community proactively, transparently and effectively, and thereby ensuring consistent and timely dissemination of information to shareholders and potential investors.

We have established effective channels of communication with our shareholders to ensure that the corporate information is readily accessible. Corporate communications materials with regard to regulatory disclosures and notices of the Company, such as financial reports, results announcements, corporate announcements and circulars will be distributed according to the principles of continuous disclosure, and complies with the legal and regulatory requirement applicable to the Company. Corporate communications and other general information concerning the Company and its businesses such as press releases will be posted on the corporate website (www.cfsg.com.hk) and distributed to the media as soon as practicable. The Company adheres to its corporate policy of not disclosing unpublished or potentially price-sensitive information such as sales and profit forecasts.

Employees

Our staff is regarded as the most important asset of the Group. We offer a competitive remuneration package and great opportunities for career advancement based on performance-linked appraisal system. Our passion in fostering a learning culture is recognised. We have been honoured as "Manpower Developer" at Employees Retraining Board ("ERB") Manpower Developer Award Scheme in recognition of the Group's efforts and commitment to training and development. We also provide our staff with regular trainings, including internal trainings and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market, industry and various businesses.

The Group is committed to the well-being of our employees as we believe that a healthy body and soul will have a positive impact on people's professional and personal lives.

Along with initiatives designed to improve the health, safety and well-being of our employees, the Group also offers recreational and educational activities in different topics such as professional growth, work-life balance, health and safety, rewards and recognitions, employees' families, amazing occasions to help staff to pursue their interests, explore their full potential and recharge after work. We are the "Family-Friendly Employer" under the scheme by the Home Affairs Bureau and the Family Council in recognition of our family-friendly employment policies and practices which have positive impact to the Company and employees' family life.

In recognition of our commitment and effort in developing employee-orientated human resources management and promoting Family-friendly Employment Practices, we have been recognised as a Signatory of Good Employer Charter under the scheme by the Labour Department.

We sincerely care about our employees' retirement needs and have gone the extra mile to provide additional retirement benefits for them. We have been awarded the accolade of "Good MPF Employer Award" by the Mandatory Provident Fund Schemes Authority (MPFA).

Customers

We value the customers' interests as the first priority. It is our mission to provide customers with a meaningful experience when utilising our services.

We value the feedback from customers and always try to understand their thoughts through Internet, daily communication, customers services and after-sale services etc. In addition, we also set up website, e-portal, email, Facebook and customer service hotline to respond to the feedback of customers.

We have been recognised as "Hong Kong Top Service Brand" in Hong Kong Top Brand Mark Scheme by Hong Kong Brand Development Council.

With our excellent marketing strategies, the Group has been recognised as "The Best One-Stop Wealth Management Service" at EDigest Brand Awards 2022.

DIRECTORS' REPORT

Suppliers

We firmly believe that our suppliers are equally important in building high-quality businesses. We proactively communicate with our suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

Community

The Group is devoted to supporting the community in which we operate through donation, education, volunteering and encourage others to give.

Over the past years, we show our care about the community with unsparing support for wide-ranging community services and charities. We have also been encouraging our employees and their family members to take part in voluntary services after work and serve the disadvantaged in the community.

We have been awarded the accolade of "15 Years Plus Caring Company" by the Hong Kong Council of Social Service (HKCSS) in recognition of our achievements in "Caring for the Community", "Caring for the Employee" and "Caring for the Environment". It serves as a recognition for our contribution to community services and commitment to employee engagement. In addition, we have attained the "Hong Kong Outstanding Corporate Citizenship Logo" organised by the Hong Kong Productivity Council in recognition of the Group's devoted efforts in corporate social responsibilities.

The Social Capital Builder Logo Award from the Labour and Welfare Bureau recognised our active role in promoting cross-sectoral partnership and sustainable supportive network.

The Group gained the Sustainable Business Award from the World Green Organisation in recognition of our outstanding achievement in sustainability.

ENVIRONMENTAL POLICY AND PERFORMANCE

As a total caring organisation, the Group is dedicated to keeping the environmental impact of our operations to a minimum, balancing business needs with conservation.

The Group adopted "Green Office Policy" with various measures regarding minimisation of energy and paper consumption and recycling being implemented. We also execute different types of "Green Office Campaign" in our office to enhance staff awareness and participation for environmental protection.

Over the years, the Group has participated in various environmental protection programmes and campaigns organised by reputable institutions and have been recognised with awards. In year 2022, the Environmental Campaign Committee recognised the Group as Hong Kong Green Organisation.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those have significant impact on the Group. During the year, the Group has materially complied with the relevant laws and regulations on corporate level as well as those that have a significant impact on the operations of the Group.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2022 is set out on page 165 of this annual report.

PROPERTY AND EQUIPMENT

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

DIRECTORS' REPORT

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 46 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 38 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the consolidated financial statements on page 72 of this annual report.

Details of movements in the reserves of the Company during the year are set out in note 49 to the consolidated financial statements.

As at 31 December 2022, the Company's reserves available for distribution to Shareholders, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$210,852,000.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions for financial year ended 31 December 2022

Margin financing arrangement for three financial years ending 31 December 2024

Celestial Securities entered into the margin financing agreements all dated 1 November 2021 with each of the following connected clients:

- (a) Mr Li Shing Wai Lewis (resigned on 1 June 2022)
- (b) Mr Kwok Ka Lok Lionel (resigned on 1 March 2022)
- (c) Mr Cheung Wai Lim William
- (d) Mr Cheung Wai Ching Anthony
- (e) Mr Fung Ka Chi Eddie (resigned on 30 November 2022)

Pursuant to the respective margin financing agreements above, Celestial Securities granted margin financing facilities to each of the above connected clients at an annual cap of up to HK\$30 million (which represents the maximum outstanding balance, including accrued outstanding interests of the margin financing facility) for each of the three financial years ending 31 December 2024. Each of the margin financing facilities granted to the connected client was a stand alone facility and will not be aggregated. The interest rates charged are in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.

As at the date of the respective margin financing agreements, the above connected clients were directors or chief executive of the Group or their respective associates and were connected persons (as defined under the Listing Rules) of the Company. The granting of the margin financing arrangement by the Company constituted continuing connected transaction relating to financial assistance for the Company under the Listing Rules.

DIRECTORS' REPORT

During the year ended 31 December 2022, (i) Mr Li Shing Wai Lewis (item (a)) had resigned as executive director of the Company but remained as director of subsidiaries of the Group and connected person of the Company; (ii) Mr Kwok Ka Lok Lionel (item (b)) had resigned as executive director of the Company but remained as connected person of the Company until 1 March 2023 (ie after 12 months of his resignation from the Group); and (iii) Mr Fung Ka Chi Eddie (item (e)) had resigned as chief executive of a subsidiary of the Group but remained as connected person of the Company until 30 November 2023 (ie after 12 months of his resignation from the Group).

All the above margin financing agreements were approved by the independent Shareholders at a SGM held on 16 December 2021. Details of the transactions were disclosed in the Company's announcements dated 1 November 2021 and 16 December 2021, and circular dated 22 November 2021.

During the year ended 31 December 2022, the maximum amount of margin financing facilities utilised by each of the above connected clients did not exceed the annual cap of HK\$30 million.

The aforesaid continuing connected transactions of the Company for the financial year ended 31 December 2022 have been reviewed by the INEDs. The INEDs have confirmed that the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the aforesaid Group's continuing connected transactions of the Company for the financial year ended 31 December 2022 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the auditor and the Company to the Stock Exchange.

RELATED PARTIES TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in notes 35 and 45 to the consolidated financial statements and those related party transactions which are related to the continuing connected transactions of the Group as disclosed under heading "Continuing Connected Transactions" above in this section or are connected transactions exempted from announcement, reporting, annual review and shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

In the year under review, the Group's purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the publication date of this annual report were as follows:

Executive Directors:

Kwan Pak Hoo Bankee

Kwan Teng Hin Jeffrey

Cheung Wai Lim William

Law Hin Ong Trevor (*was appointed on 1 June 2022*)

Wong Sze Kai Angela (*was appointed on 11 July 2022*)

Li Shing Wai Lewis (*resigned on 1 June 2022*)

Kwok Ka Lok Lionel (*resigned on 1 March 2022*)

Independent Non-executive Directors:

Cheng Shu Shing Raymond

Lo Kwok Hung John

Lo Ming Chi Charles

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM:

- (i) Mr Law Hin Ong Trevor and Ms Wong Sze Kai Angela, being newly appointed EDs, shall retire at the AGM in accordance with the Company's bye-laws; and
- (ii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the AGM in each year in accordance with their terms of office of directorship.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the headings of "Continuing Connected Transactions" and "Related Party Transactions" in this section above, no transaction, arrangement, or contract of significance to which the Group was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2022, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) The Company

(i) Long positions in the Shares

| Name | Capacity | Personal | Corporate | Shareholding (%) |
|-----------------------|---|--------------------|-----------------------------|------------------|
| | | (Number of Shares) | Interest (Number of Shares) | |
| Kwan Pak Hoo Bankee | Beneficial owner and interest in a controlled corporation | 2,472,000 | 157,989,563* | 61.44 |
| Kwan Teng Hin Jeffrey | Beneficial owner | 2,472,000 | – | 0.95 |
| Lo Kwok Hung John | Beneficial owner | 62,775 | – | 0.02 |
| | | <u>5,006,775</u> | <u>157,989,563</u> | <u>62.41</u> |

* The Shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the holding company of the Company)). Pursuant to the SFO, Dr Kwan Pak Hoo Bankee ("Dr Kwan") was interested in a total of 49.79% shareholding interest in CASH, details of which are disclosed in the heading of "Substantial Shareholders" below. Dr Kwan was deemed to be interested in all these Shares held by CIGL as a result of his interests in CASH.

(ii) Long positions in the underlying shares – options under share option scheme

| Name | Date of grant | Exercise period | Exercise price per share (HK\$) | Notes | Number of options outstanding | Percentage to issued Shares (%) |
|------------------------|---------------|-------------------------|---------------------------------|-------------|-------------------------------|---------------------------------|
| Kwan Pak Hoo Bankee | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (1),(3),(4) | 2,400,000 | 0.92 |
| Kwan Teng Hin Jeffrey | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (1),(3),(4) | 2,400,000 | 0.92 |
| Cheung Wai Lim William | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (2)to(4) | 675,000 | 0.26 |
| Law Hin Ong Trevor | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (2)to(4) | 450,000 | 0.17 |
| | | | | | <u>5,925,000</u> | <u>2.27</u> |

Notes:

- The options are vested in 2 tranches as to 50% exercisable from 1 August 2021 to 31 July 2023 and 50% exercisable from 1 August 2022 to 31 July 2023 respectively.
- The options are vested in 4 tranches as to 25% exercisable from 1 August 2021 to 31 July 2022, 25% exercisable from 1 August 2022 to 31 July 2023, 25% exercisable from 1 August 2023 to 31 July 2024 and 25% exercisable from 1 August 2024 to 31 July 2025 respectively.
- The options are subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the Chairman of the Board and/or the Board determined at their sole discretion.
- The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.
- The options were held by the Directors in the capacity of beneficial owners.

DIRECTORS' REPORT

(B) Associated corporation (within the meaning of Part XV of the SFO) – CASH

(i) Long positions in the ordinary shares of HK\$0.20 each

| Name | Capacity | Personal | Corporate | Shareholding |
|---------------------|---|--------------------|--------------------------------|--------------|
| | | (Number of shares) | Interest (Number of shares) | |
| Kwan Pak Hoo Bankee | Beneficial owner and interest in a controlled corporation | 598,501 | 39,599,098* | 49.79 |
| | | 598,501 | 39,599,098 | 49.79 |

* The shares in CASH were held by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan). Pursuant to the SFO, Dr Kwan Pak Hoo Bankee and Hobart Assets Limited were deemed to be interested in such shares in CASH held by Cash Guardian.

(ii) Long positions in the underlying shares – options under share option scheme

| Name | Date of grant | Exercise period | Exercise price per share (HK\$) | Notes | Number of options outstanding | Percentage to issued shares (%) |
|-----------------------|---------------|-------------------------|---------------------------------|------------|-------------------------------|---------------------------------|
| Kwan Pak Hoo Bankee | 16/07/2021 | 01/08/2021 – 31/07/2023 | 1.45 | (1) to (3) | 800,000 | 0.99 |
| Kwan Teng Hin Jeffrey | 16/07/2021 | 01/08/2021 – 31/07/2023 | 1.45 | (1) to (3) | 800,000 | 0.99 |
| | | | | | 1,600,000 | 1.98 |

Notes:

- (1) The options are vested in 2 tranches as to 50% exercisable from 1 August 2021 to 31 July 2023 and 50% exercisable from 1 August 2022 to 31 July 2023 respectively.
- (2) The options are subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the chairman of the board of CASH and/or the board of CASH determined at their sole discretion.
- (3) The options must be exercised within 1 month from the date on which the board of CASH's approval of the vesting of the options.
- (4) The options were held by the Directors in the capacity of beneficial owners.

Save as disclosed above, as at 31 December 2022, none of the Directors, chief executive or their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at an AGM of the Company held on 8 June 2018. The Share Option Scheme was adopted before the new Chapter 17 of the Listing Rules effective on 1 January 2023. The Company will comply with the new Chapter 17 of the Listing Rules in accordance with the transitional arrangements for the Share Option Scheme. Particulars of the terms of the Share Option Scheme are set out in note 43 to the consolidated financial statements.

Details of the movements in the share options to subscribe for the Shares granted under the Share Option Scheme during the year ended 31 December 2022 are set out below.

| Participants | Date of grant | Exercise period | Exercise price per share (HK\$) | Notes | Number of options | | | outstanding as at 31 December 2022 |
|--|---------------|-------------------------|---------------------------------|------------------|----------------------------------|------------------------------------|--|------------------------------------|
| | | | | | outstanding as at 1 January 2022 | lapsed during the year (Note (10)) | reallocated upon change of directorate | |
| Directors | | | | | | | | |
| | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.420 | (1) | 3,712,500 | (3,712,500) | – | – |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (1) | 8,100,000 | (900,000) | (2,400,000) | 4,800,000 |
| | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (1) | 900,000 | (375,000) | 600,000 | 1,125,000 |
| Other Employee Participants (Note (8)) | | | | | | | | |
| | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.420 | (2),(5),(7) | 3,285,000 | (3,285,000) | – | – |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (3),(5),(7) | 900,000 | (900,000) | – | – |
| | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (4),(5),(7) | 8,340,000 | (5,490,000) | (600,000) | 2,250,000 |
| Related Entity Participants (Note (9)) | | | | | | | | |
| | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.420 | (2),(5),(7) | 643,500 | (643,500) | – | – |
| | 29/04/2020 | 01/05/2020 – 30/04/2022 | 0.480 | (5),(7) | 2,472,000 | (2,472,000) | – | – |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (3),(5),(7) | 900,000 | (900,000) | 2,400,000 | 2,400,000 |
| | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (4),(5),(7) | 1,500,000 | (375,000) | – | 1,125,000 |
| Service Providers (including consultants) | | | | | | | | |
| | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.420 | (2),(6),(7),(12) | 1,602,000 | (1,602,000) | – | – |
| | 04/06/2019 | 04/06/2019 – 03/06/2022 | 1.040 | (6),(7),(12) | 2,790,000 | (2,790,000) | – | – |
| | 29/04/2020 | 01/05/2020 – 30/04/2022 | 0.480 | (6),(7),(12) | 2,472,000 | (2,472,000) | – | – |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (6),(7),(12) | 3,810,000 | – | – | 3,810,000 |
| | | | | | 41,427,000 | (25,917,000) | – | 15,510,000 |

Notes:

- (1) Details of the options granted to the Directors are set out in the section headed "Directors' interests in securities" above.
- (2) The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively.
- (3) The options are vested in 2 tranches as to 50% exercisable from 1 August 2021 to 31 July 2023 and 50% exercisable from 1 August 2022 to 31 July 2023 respectively.
- (4) The options are vested in 4 tranches as to 25% exercisable from 1 August 2021 to 31 July 2022, 25% exercisable from 1 August 2022 to 31 July 2023, 25% exercisable from 1 August 2023 to 31 July 2024 and 25% exercisable from 1 August 2024 to 31 July 2025 respectively.
- (5) The options are subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the Chairman of the Board and/or the Board determined at their sole discretion.
- (6) The vesting of the options is subject to the satisfactory delivery of services to members of the Group as approved by the Chairman of the Board and/or the Board determined at their sole discretion.

DIRECTORS' REPORT

- (7) The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.
- (8) Other Employee Participants include employees of the Company and its subsidiaries.
- (9) Related Entity Participants include directors and employees of holding companies, fellow subsidiaries or associated companies of the Company.
- (10) The lapsed options were due to expiry of the options in accordance with the terms of the share options.
- (11) No option was granted, exercised or cancelled during the year.
- (12) There were share options granted to consultants on 29 March 2019, 4 June 2019, 29 April 2020 and 29 July 2021 respectively. The grantees of the share options granted on 29 March 2019 were Mr Law Ping Wah Bernard (the former executive director of the Company) and Ms Luke Wing Sheung (the former company secretary of the Company). The grantees of the share options granted on 4 June 2019 were Mr Yao Cho Fai Andrew, Mr Ma King Huen Philip and Mr Lai Wing Hung Alfred. The grantees of the share options granted on 29 April 2020 were Mr Law Ping Wah Bernard and Mr Lai Wing Hung Alfred. The grantees of the share options granted on 29 July 2021 were Mr Law Ping Wah Bernard, Mr Lai Wing Hung Alfred and Ms Luke Wing Sheung. The rationale for granting the share options to consultants was to reward each of them for their quality service, professional advice, expertise and contribution to the Group by introducing potential business opportunities to the Group. The Board is of the view that the grant of options will provide incentives for them to provide professional financial and new business opportunities advisory services and planning to cater for business needs of the Group, which will align their interests with the Group and secure their long-term support and commitment to the Group.
- (13) The total number of Shares available for issue under the Share Option Scheme is 41,627,477, representing approximately 15.94% of the issued Shares as at the date of this annual report.
- (14) The number of options available for grant under the mandate of the Share Option Scheme as at 1 January 2022 and 31 December 2022 were 26,117,477.

SHARE AWARD SCHEME

The Board resolved to adopt the share award scheme on 1 December 2022 (the "Share Award Scheme"). The Share Award Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. However, it shall constitute a share scheme that is funded by existing Shares and shall be subject to the applicable disclosure requirements when the new Chapter 17 of the Listing Rules comes in effect on 1 January 2023.

Particulars of the terms of the Share Award Scheme are set out in note 44 to the consolidated financial statements.

No share awards has been granted under the Share Award Scheme during the period from the date of adoption to the end of the year ended 31 December 2022.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, so far as is known to the Directors and chief executive of the Company, the persons/companies (other than a Director or chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

| Name | Capacity | Number of Shares | Shareholding (%) |
|------------------------------|--------------------------------------|-------------------------|-------------------------|
| Hobart Assets Limited (Note) | Interest in a controlled corporation | 157,989,563 | 60.49 |
| Cash Guardian (Note) | Interest in a controlled corporation | 157,989,563 | 60.49 |
| CASH (Note) | Interest in a controlled corporation | 157,989,563 | 60.49 |
| Praise Joy Limited (Note) | Interest in a controlled corporation | 157,989,563 | 60.49 |
| CIGL (Note) | Beneficial owner | 157,989,563 | 60.49 |

Note:

This refers to the same number of 157,989,563 Shares held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the holding company of the Company)). CASH was owned as to a total of approximately 49.79% by Dr Kwan, being approximately 49.05% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan) and approximately 0.74% by Dr Kwan in his personal name. Pursuant to the SFO, Dr Kwan, Hobart Assets Limited and Cash Guardian were deemed to be interested in all the Shares held by CIGL through CASH. The above interest has already been disclosed as corporate interest of Dr Kwan in the section headed "Directors' interests in securities" above.

Save as disclosed above, as at 31 December 2022, the Directors and chief executive of the Company were not aware of any other parties or corporation (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its Shares in the hands of the public in accordance with the Listing Rules as at the latest practicable date prior to the issue of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2022.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENTS

Save as the share option scheme and the share award scheme of the Company as disclosed in note 43 and 44 respectively to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2022 or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

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

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the INEDs in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

AUDITOR

There have been no changes of auditor in the preceding three years.

The consolidated financial statements of the Company for the year were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 24 March 2023

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CASH Financial Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 164, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Valuation of financial assets at fair value through other comprehensive income ("FVTOCI") classified as level 3 under fair value hierarchy

We identified the valuation of level 3 financial assets measured at FVTOCI as a key audit matter due to the significance of the judgment and estimates made by the management and the subjectivity in determination of level 3 fair value given the lack of availability of market-based data and the significant unobservable inputs.

The total fair value of financial assets at FVTOCI classified as level 3 amounted to HK\$24,328,000 as at 31 December 2022 and the key source of estimation uncertainty are disclosed in notes 4 and 41 to the consolidated financial statements.

Our audit procedures for the valuation of the level 3 financial assets at FVTOCI include:

- assessing the independence, competence, capabilities and objectivity of the professional valuer engaged by the Group and its experience in conducting similar valuation;
- evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge;
- evaluating the appropriateness and consistency of the valuation techniques used by the management;
- evaluating the rationale and reasonableness of management's judgment on the significant inputs;
- examining supporting documents and assessing the reasonableness of significant inputs; and
- performing sensitivity analysis to evaluate the reasonableness of the valuation and performing independent valuation together with our internal valuation specialist and comparing the valuation with the Group's valuation.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- 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.

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 partner on the audit resulting in the independent auditor's report is Siu Fai Ming.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | NOTES | 2022 HK\$'000 | 2021 HK\$'000 |
|---|-------|------------------|------------------|
| Revenue | | | |
| Fee and commission income | 5 | 49,926 | 71,165 |
| Interest income | 6 | 18,866 | 25,698 |
| Total revenue | | 68,792 | 96,863 |
| Other income | 8 | 4,456 | 1,840 |
| Other gains/losses | 9 | (9,694) | (13,162) |
| Salaries and related benefits | 10 | (49,333) | (58,532) |
| Commission expenses | | (22,394) | (24,773) |
| Depreciation | 19 | (11,806) | (8,650) |
| Finance costs | 13 | (7,811) | (7,447) |
| Impairment losses under expected credit loss model, net of reversal | 14 | (6,950) | (1,892) |
| Other operating expenses | 15 | (35,058) | (37,757) |
| Loss before taxation | | (69,798) | (53,510) |
| Income tax credit | 16 | – | 40 |
| Loss for the year | | (69,798) | (53,470) |
| Other comprehensive income | | | |
| Item that will not be reclassified to profit or loss: | | | |
| Fair value (loss) gain on financial assets at fair value through other comprehensive income | | (3,351) | 2,029 |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | (361) | 1,023 |
| Other comprehensive (expense) income for the year | | (3,712) | 3,052 |
| Total comprehensive expense for the year | | (73,510) | (50,418) |
| Loss attributable to: | | | |
| Owners of the Company | | (69,798) | (53,470) |
| Non-controlling interests | | – | – |
| | | (69,798) | (53,470) |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | (73,510) | (50,418) |
| Non-controlling interests | | – | – |
| | | (73,510) | (50,418) |
| Loss per share | 17 | | |
| – Basic (HK cents) | | (26.72) | (21.11) |
| – Diluted (HK cents) | | (26.72) | (21.11) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

| | NOTES | 2022 HK\$'000 | 2021 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property and equipment | 19 | 27,875 | 22,930 |
| Intangible assets | 21 | 9,092 | 9,092 |
| Club debentures | 22 | 660 | 660 |
| Other assets | 23 | 5,353 | 6,857 |
| Rental and utility deposits | | 1,219 | 1,913 |
| Financial assets at fair value through other comprehensive income | 24 | 24,328 | 27,679 |
| Loans receivable | 27 | 859 | 1,516 |
| Financial assets at fair value through profit or loss | 29 | 4,812 | 5,534 |
| | | 74,198 | 76,181 |
| Current assets | | | |
| Accounts receivable | 25 | 188,418 | 182,150 |
| Contract assets | 26 | 2,755 | 4,813 |
| Loans receivable | 27 | 10,135 | 38,681 |
| Prepayments, deposits and other receivables | 28 | 29,093 | 28,792 |
| Financial assets at fair value through profit or loss | 29 | 22,767 | 99,408 |
| Amounts due from related companies | 31 | – | 1,001 |
| Bank balances – trust and segregated accounts | 30 | 482,196 | 660,971 |
| Bank balances (general accounts) and cash | 30 | 243,571 | 203,580 |
| | | 978,935 | 1,219,396 |
| Current liabilities | | | |
| Accounts payable | 32 | 510,925 | 701,088 |
| Accrued liabilities and other payables | 33 | 26,714 | 24,932 |
| Taxation payable | | 3,000 | 3,000 |
| Lease liabilities | 37 | 10,493 | 11,220 |
| Bank borrowings | 34 | 80,064 | 73,026 |
| Loan from a related party | 35 | 66,861 | – |
| Provision for restoration | | – | 1,035 |
| | | 698,057 | 814,301 |
| Net current assets | | 280,878 | 405,095 |
| Total assets less current liabilities | | 355,076 | 481,276 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

| | NOTES | 2022 HK\$'000 | 2021 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current liabilities | | | |
| Loan from a related party | 35 | – | 60,263 |
| Lease liabilities | 37 | 14,376 | 7,838 |
| Provision for restoration | | 1,842 | 807 |
| | | 16,218 | 68,908 |
| Net assets | | | |
| | | 338,858 | 412,368 |
| Capital and reserves | | | |
| Share capital | 38 | 10,447 | 104,470 |
| Reserves | | 319,873 | 299,360 |
| Equity attributable to owners of the Company | | 330,320 | 403,830 |
| Non-controlling interests | 39 | 8,538 | 8,538 |
| Total equity | | | |
| | | 338,858 | 412,368 |

The consolidated financial statements on pages 69 to 164 were approved and authorised for issue by the Board of Directors on 24 March 2023 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LAW HIN ONG TREVOR
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

| | Attributable to equity holders of the Company | | | | | | | | | | |
|--|---|---------------|----------------------|----------------------|-----------------------------|---------------------------------|---------------------|--|----------------|---------------------------|----------------|
| | Share capital | Share premium | Other reserve | Contributed surplus | Share-based payment reserve | Investments revaluation reserve | Translation reserve | (Accumulated losses) retained earnings | Total | Non-controlling interests | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 (note a) | HK\$'000 (note b) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2021 | 97,049 | 604,132 | 29,209 | 117,788 | 4,698 | (13,966) | (644) | (392,924) | 445,342 | 8,538 | 453,880 |
| Loss for the year | - | - | - | - | - | - | - | (53,470) | (53,470) | - | (53,470) |
| Fair value loss on financial assets at fair value through other comprehensive income | - | - | - | - | - | 2,029 | - | - | 2,029 | - | 2,029 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | 1,023 | - | 1,023 | - | 1,023 |
| Other comprehensive income for the year | - | - | - | - | - | 2,029 | 1,023 | - | 3,052 | - | 3,052 |
| Total comprehensive income (expense) for the year | - | - | - | - | - | 2,029 | 1,023 | (53,470) | (50,418) | - | (50,418) |
| Shares issued upon exercise of share options (Notes 38 and 43) | 7,421 | 5,193 | - | - | (3,708) | - | - | - | 8,906 | - | 8,906 |
| At 31 December 2021 | 104,470 | 609,325 | 29,209 | 117,788 | 990 | (11,937) | 379 | (446,394) | 403,830 | 8,538 | 412,368 |
| Loss for the year | - | - | - | - | - | - | - | (69,798) | (69,798) | - | (69,798) |
| Fair value gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | (3,351) | - | - | (3,351) | - | (3,351) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | (361) | - | (361) | - | (361) |
| Other comprehensive income for the year | - | - | - | - | - | (3,351) | (361) | - | (3,712) | - | (3,712) |
| Total comprehensive (expense) income for the year | - | - | - | - | - | (3,351) | (361) | (69,798) | (73,510) | - | (73,510) |
| Capital reorganisation (Note 38) | (94,023) | (600,000) | - | - | - | - | - | 694,023 | - | - | - |
| Share options lapsed (Note 43) | - | - | - | - | (990) | - | - | 990 | - | - | - |
| At 31 December 2022 | 10,447 | 9,325 | 29,209 | 117,788 | - | (15,288) | 18 | 178,821 | 330,320 | 8,538 | 338,858 |

Notes:

- The other reserve of the Group represents the reserve arising from the change in the Group's ownership interest in existing subsidiary without losing control.
- The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to eliminate accumulated losses.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | NOTES | 2022 HK\$'000 | 2021 HK\$'000 |
|---|-------|------------------|------------------|
| Operating activities | | | |
| Loss before taxation | | (69,798) | (53,510) |
| Adjustments for: | | | |
| Depreciation of property and equipment | 19 | 11,806 | 8,650 |
| Interest expense | 13 | 7,811 | 7,447 |
| Interest income | 6 & 8 | (18,985) | (25,811) |
| Dividend income | 9 | (6,773) | (1,217) |
| (Gain) loss on fair value changes of financial assets at fair value through profit or loss | | (16,715) | 15,073 |
| Loss on disposal of property and equipment | 9 | 11 | 324 |
| Impairment losses under expected credit loss model, net of reversal | 14 | 6,950 | 1,892 |
| Write-off of financial assets and contract assets | 9 | 63 | 615 |
| Gain on disposal of investment property | 9 | – | (1,563) |
| Operating cash flows before movements in working capital | | (85,630) | (48,100) |
| Decrease in other assets | | 1,504 | 1,378 |
| Decrease (increase) in contract assets | | 1,995 | (2,419) |
| (Increase) decrease in accounts receivable | | (13,808) | 126,443 |
| Decrease (increase) in loans receivable | | 29,793 | (27,547) |
| Decrease (increase) in prepayments, deposits and other receivables | | 321 | (965) |
| Decrease (increase) in financial assets at fair value through profit or loss | | 94,078 | (32,157) |
| Decrease in bank deposits subject to conditions | | – | 25,231 |
| Decrease in bank balances – trust and segregated accounts | | 178,775 | 71,152 |
| Decrease in accounts payable | | (190,163) | (155,188) |
| Increase in accrued liabilities and other payables | | 1,789 | 1,379 |
| Cash from (used in) operations | | 18,654 | (40,793) |
| Interest received | | 18,866 | 25,698 |
| Dividend received | | 6,773 | 1,217 |
| Net cash from (used in) operating activities | | 44,293 | (13,878) |

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

| | NOTES | 2022 HK\$'000 | 2021 HK\$'000 |
|--|-------|------------------|------------------|
| Investing activities | | | |
| Purchase of property and equipment | 19 | (1,511) | (4,438) |
| Payments for rental deposits | | – | (1,030) |
| Repayment from a related company | | 1,001 | 340 |
| Net cash used in investing activities | | (510) | (5,128) |
| Financing activities | | | |
| Proceeds from exercise of share options | 43 | – | 8,906 |
| Repayments of lease liabilities | 42 | (9,240) | (11,209) |
| Advances from bank borrowings | 42 | 45,000 | 21,122,210 |
| Repayment of bank borrowings | 42 | (38,000) | (21,160,014) |
| Advances from related party | 42 | 66,000 | 60,000 |
| Repayments to related party | 42 | (60,000) | – |
| Interest paid on lease liabilities | 42 | (1,003) | (751) |
| Interest paid on bank borrowings | 42 | (2,772) | (6,407) |
| Interest paid on loan from a related party | 42 | (3,400) | – |
| Contribution from third party investors to consolidated investment funds | | 813 | – |
| Redemption from third party investors of consolidated investment funds | | (820) | – |
| Net cash (used in) from financing activities | | (3,422) | 12,735 |
| Net increase (decrease) in cash and cash equivalents | | 40,361 | (6,271) |
| Cash and cash equivalents at beginning of year | | 203,580 | 208,859 |
| Effect of change in foreign exchange rate | | (370) | 992 |
| Cash and cash equivalents at end of year | | 243,571 | 203,580 |
| Bank balances (general accounts) and cash | | 243,571 | 203,580 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

CASH Financial Services Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year ended 31 December 2022, the shareholding interest of Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"), in the Company increased from 39.41% to 60.49% upon the close of a cash offer by CIGL. As a result, CIGL became the immediate holding company and CASH became the ultimate holding company of the Company respectively. CASH is a company incorporated in Bermuda with its shares listed on the Stock Exchange and produces financial statements available for public use.

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, while the address of the principal place of business of the Company is 22/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

The Company and its subsidiaries (the "Group") are principally engaged in the following activities:

- provision of online and traditional brokerage of securities, futures and options as well as general and life insurance, mutual funds and mandatory provident fund ("MPF") products;
- proprietary trading of debt and equity securities and derivatives;
- provision of margin financing and money lending services; and
- provision of asset management services.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

| | |
|-----------------------|--|
| 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 |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendment to HKFRS 16 | Lease Liability in a Sale and Leaseback ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the impact mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 *Non-current Liabilities with Covenants (the “2022 Amendments”)**

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group’s liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty; that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

When the Group is exposed, or has rights, to variable returns of an investee in which the Group also acts as a general partner, or the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant funds.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the funds, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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 owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable assets or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Asset acquisitions

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

Business combinations

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

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

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

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

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

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

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

Revenue as below is recognised at a point in time on the following basis:

- Commission income and handling and other services from broking business is recognised when trades are executed;
- Commission income for placement of general and life insurance, mutual funds and MPF products is recognised when the placements are successful, subject to constraint on variable consideration.

Asset management fees and performance fees are recognised over time.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration for asset management services and wealth management services to which it will be entitled using the most likely amount and expected value amount respectively.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Right-of-use assets

The cost of right-of-use assets includes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Leases (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Cash and cash equivalents

Bank balances (general accounts) and cash presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances (general accounts) and cash as defined above. Bank balances held under trust and segregated accounts are excluded from the Group's cash and cash equivalents and presented under operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Retirement benefits costs

Payments to defined contribution plans including state-managed benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

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

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Taxation (continued)

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on property and equipment and intangible assets below).

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

Impairment losses on property and equipment (including right-of-use assets) and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment (including right-of-use assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment (including right-of-use assets) and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combinations to which HKFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

- (ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

- (iii) Financial assets at FVTPL

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

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

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, loans receivable, amounts due from related companies, deposits and other receivables, bank deposits and bank balances) and other items (representing contract assets) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

The Group always recognises lifetime ECL for contract assets and account receivables arising from contracts with customers. The ECL on these assets are assessed based on the Group's historical default rates or default rates by reference to the Probability of Default ("PD"), Loss Given Default ("LGD") over the expected life and is adjusted for forward-looking estimates.

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

(i) Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

For internal credit risk management, the Group considers the event of default occurs when the 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).

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

(iii) Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for contract assets and accounts receivable except for those from margin clients are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments;
- Loan to collateral value ratio ("LTV");
- Past-due status; and
- External credit ratings where available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

- (v) Measurement and recognition of ECL (continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loans receivable and accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

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

Financial liabilities

The financial liabilities of the Group are carried at amortised cost.

Financial liabilities at amortised cost

Financial liabilities including accounts payable, other payables, bank borrowings and loan from a related party are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Equity-settled share-based payment transactions

Share options granted to employees and individuals providing services similar to employees

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

The fair value of services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of share options granted at the grant date, without taking into account any service and non-market performance vesting conditions. Service and non-market performance vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share-based payment reserve.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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.

Critical judgements in applying accounting policies

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

Determination on lease term of contracts with renewal options

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

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

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

On commencement dates of relevant leases, management did not consider that it is reasonably certain to exercise the renewal option in the relevant leases. As at 31 December 2022, the undiscounted potential future lease payments not included in lease liabilities amounted to approximately HK\$1,440,000 (2021: HK\$16,278,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

Impairment assessment under ECL model for accounts receivable arising from margin financing

The impairment assessment under ECL model for accounts receivable arising from margin financing is an area that requires the use of models and management assumptions about future economic conditions and the credit risk of the margin clients.

In applying the accounting requirements for measuring ECL, the management involves significant judgements, estimates and assumptions to determine criteria for significant increase in credit risk, select appropriate models and assumptions for the measurement of ECL and consider the forward-looking scenarios.

Inputs, assumptions and estimation techniques

ECL of accounts receivable arising from margin financing is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 (credit risk has increased significantly since initial recognition) or 3 (credit-impaired) as defined in note 41. In assessing whether the credit risk of a financial asset has significantly increased, the Group considered the historical trend in LTV ratio as well as qualitatively, if applicable, and quantitatively reasonable and supportable forward-looking information available without undue cost or effort. ECL is the discounted product of expected future cash flows by using the PD, LGD and EAD, of which PD and LGD are based on significant management judgement and estimates. For non-credit impaired accounts receivable arising from margin financing, the management performed collective assessment and ECL are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort. For credit-impaired receivable arising from margin financing, the management performed individual assessment for each client by considering various factors, including the realisable value of securities or collaterals held by the Group.

Forward-looking information

The calculation of ECL considers forward-looking information through the use of publicly available economic data and forecasts and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios of the market performance.

Details of the impairment assessment of accounts receivable arising from margin financing are disclosed in note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of property and equipment (including right-of-use assets) and intangible assets

Property and equipment (including right-of-use assets) and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, the higher of the net present value of future cash flows which are estimated based upon the continued use of the asset in the case of value in use or fair value less cost of disposal; and (3) the appropriate key inputs to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate in determining fair value less cost of disposal as disclosed in note 19. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the inputs and estimates could materially affect the relevant fair value of the various CGUs.

In view of impairment indicators, the Group performed impairment assessment on property and equipment (including right-of-use assets) of HK\$27,875,000 (2021: HK\$22,930,000). No impairment losses have been recognised on property and equipment during the year ended 31 December 2021 and 2022. Details of the impairment assessment of property and equipment are disclosed in note 19.

Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK\$566,843,000 (2021: HK\$519,849,000) and deductible temporary differences of HK\$39,245,000 (2021: HK\$40,172,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the inflationary environment and interest rates hike may progress and evolve. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses and deductible temporary differences may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Fair value of financial assets at FVTOCI

The Group holds financial instruments that are not listed and are not traded in active markets. The Group employs valuation methods and makes assumptions that are based on market conditions as at the reporting date. These investments are valued by independent external valuation specialists based on generally accepted valuation models. The model may employ observable data where available and to the extent practicable. However, the model may also use unobservable data such as the discount factor for lack of marketability and discount rate, the determination of these unobservable inputs and other assumptions used in the model may involve subjective judgement and estimates.

Whilst the Group considers these valuations are the best estimates, the inflationary environment and interest rates hike may cause volatility and uncertainty to the investees' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions or inputs could affect the reported fair values of these instruments. Details of valuation methodologies or inputs are set out in note 41 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. FEE AND COMMISSION INCOME

(i) Disaggregation of revenue from contracts with customers

| | 2022 | 2021 |
|--------------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Type of services | | |
| Broking services | 25,762 | 43,031 |
| Wealth management services | 20,225 | 16,229 |
| Asset management services | 1,028 | 6,032 |
| Handling and other services | 2,911 | 5,489 |
| Investment banking services | – | 384 |
| Total | 49,926 | 71,165 |
| Timing of revenue recognition | | |
| A point in time | 48,898 | 65,133 |
| Over time | 1,028 | 6,032 |
| Total | 49,926 | 71,165 |

Fee and commission income of HK\$49,926,000 (2021: HK\$71,165,000) and interest income of HK\$18,866,000 (2021: HK\$25,689,000) are presented as financial services segment revenue and interest income of HK\$Nil (2021: HK\$9,000) is presented as proprietary trading revenue for the year ended 31 December 2022 in the segment information in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. FEE AND COMMISSION INCOME (continued)

(ii) Performance obligations for contracts with customers

Broking services

The Group provides broking services to customers on securities, futures and options trading. Commission income from broking services is determined at a certain percentage of the transaction value of the trades executed and is recognised as income on the date the trades are executed. Normal settlement terms are one or two days after trade date, unless specifically agreed with counterparties.

Wealth management services

The Group provides placement services for general and life insurances, mutual funds and MPF products to customers. Revenue is recognised at a point in time when the placement is successful. Revenue is calculated at a certain percentage of the premium receivable for certain period of the mutual funds and insurance-linked investment products, subject to constraints on variable consideration. The Group receives a certain percentage of the premium paid for a certain period over the life of the underlying products after satisfying its performance obligation, depending on the payment terms of the products. The Group has considered the effects of financing component on the consideration as insignificant.

Asset management services

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group. The Group is also entitled to a performance fee for certain accounts when pre-set performance target for the relevant performance period is met. The performance fee is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on an annual basis for each of the account. Management fee is normally due on account opening date and the subsequent anniversary date while performance fee is normally due at the end of the relevant performance period.

Handling and other services

The Group provides services in securities, futures and options trading and customer's account handling. Handling and other services fee income are recognised when the transaction are executed and services are completed.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applied the practical expedient for contracts with original expected duration less than one year, and did not disclose the aggregate amount of transaction price allocated to performance obligations of the services that are unsatisfied (or partly unsatisfied).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

6. INTEREST INCOME

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Interest income arising from financial assets at amortised cost | 18,866 | 25,698 |

7. SEGMENT INFORMATION

Reportable and operating segment

The Chief Executive Officer of the Company, being the chief operating decision maker ("CODM"), regularly reviews the income from financial services (including broking, investment banking, asset management and wealth management services) and proprietary trading activities for the purposes of resource allocation and performance assessment.

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by the segment before gain on disposal of investment property, certain net foreign exchange loss and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

Right-of-use assets and lease liabilities are not allocated to segments for the measurement of segment assets and liabilities while depreciation and impairment losses of right-of-use assets and finance cost for lease liabilities are included in segment results.

For the year ended 31 December 2022

| | Financial services HK\$'000 | Proprietary trading HK\$'000 | Total HK\$'000 |
|---------------------------|-----------------------------------|------------------------------------|-------------------|
| Revenue | 68,792 | – | 68,792 |
| RESULT | | | |
| Segment loss | (56,316) | (6,809) | (63,125) |
| Net foreign exchange loss | | | (2,399) |
| Unallocated expenses | | | (4,274) |
| Loss before taxation | | | (69,798) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment revenue and result (continued)

For the year ended 31 December 2021

| | Financial services HK\$'000 | Proprietary trading HK\$'000 | Total HK\$'000 |
|---|-----------------------------------|------------------------------------|-------------------|
| Revenue | 96,854 | 9 | 96,863 |
| RESULT | | | |
| Segment loss | (31,273) | (16,232) | (47,505) |
| Gain on disposal of investment property | | | 1,563 |
| Net foreign exchange loss | | | (191) |
| Unallocated expenses | | | (7,377) |
| Loss before taxation | | | (53,510) |

All the segment revenue is derived from external customers.

Segment assets and liabilities

All assets are allocated to the operating segments other than right-of-use assets included in property and equipment, investment property, financial assets at FVTOCI, certain financial assets at FVTPL, amounts due from related companies and certain property and equipment, other receivables and cash. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All liabilities are allocated to the operating segments other than lease liabilities, deferred tax liabilities, loan from a related party, provision for restoration and taxation payable. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

As at 31 December 2022

| | Financial services HK\$'000 | Proprietary trading HK\$'000 | Total HK\$'000 |
|--------------------------------|-----------------------------------|------------------------------------|-------------------|
| ASSETS | | | |
| Segment assets | 929,066 | 43,609 | 972,675 |
| Property and equipment | | | 20,520 |
| Financial assets at FVTOCI | | | 24,328 |
| Financial assets at FVTPL | | | 4,812 |
| Other unallocated assets | | | 30,798 |
| Consolidated total assets | | | 1,053,133 |
| LIABILITIES | | | |
| Segment liabilities | 617,703 | – | 617,703 |
| Lease liabilities | | | 24,869 |
| Taxation payable | | | 3,000 |
| Loan from a related party | | | 66,861 |
| Provision for restoration | | | 1,842 |
| Consolidated total liabilities | | | 714,275 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

As at 31 December 2021

| | Financial services HK\$'000 | Proprietary trading HK\$'000 | Total HK\$'000 |
|------------------------------------|-----------------------------------|------------------------------------|-------------------|
| ASSETS | | | |
| Segment assets | 1,084,321 | 136,476 | 1,220,797 |
| Property and equipment | | | 14,719 |
| Financial assets at FVTOCI | | | 27,679 |
| Financial assets at FVTPL | | | 5,534 |
| Amounts due from related companies | | | 1,001 |
| Other unallocated assets | | | 25,847 |
| Consolidated total assets | | | 1,295,577 |
| LIABILITIES | | | |
| Segment liabilities | 799,046 | – | 799,046 |
| Lease liabilities | | | 19,058 |
| Taxation payable | | | 3,000 |
| Loan from a related party | | | 60,263 |
| Provision for restoration | | | 1,842 |
| Consolidated total liabilities | | | 883,209 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

7. SEGMENT INFORMATION (continued)

Other information

For the year ended 31 December 2022

| | Financial services HK\$'000 | Proprietary trading HK\$'000 | Unallocated amount HK\$'000 | Total HK\$'000 |
|---|-----------------------------------|------------------------------------|-----------------------------------|-------------------|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Addition to non-current assets | 1,511 | – | 15,242 | 16,753 |
| Interest income | 18,866 | – | – | 18,866 |
| Depreciation of property and equipment | (11,569) | – | (237) | (11,806) |
| Finance costs | (7,408) | (403) | – | (7,811) |
| Net gains (losses) on financial assets at FVTPL | 974 | (6,352) | (252) | (5,630) |
| Impairment losses, net of reversal | | | | |
| – accounts receivable | (7,540) | – | – | (7,540) |
| – loans receivable | 590 | – | – | 590 |
| Net foreign exchange gain (loss) | (1,608) | 17 | (2,399) | (3,990) |

For the year ended 31 December 2021

| | Financial services HK\$'000 | Proprietary trading HK\$'000 | Unallocated amount HK\$'000 | Total HK\$'000 |
|---|-----------------------------------|------------------------------------|-----------------------------------|-------------------|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Addition to non-current assets | 4,430 | – | 11,014 | 15,444 |
| Interest income | 25,689 | 9 | – | 25,698 |
| Depreciation of property and equipment | (8,535) | – | (115) | (8,650) |
| Finance costs | (6,471) | (976) | – | (7,447) |
| Net losses on financial assets at FVTPL | – | (14,560) | (137) | (14,697) |
| Impairment losses, net of reversal | | | | |
| – accounts receivable | (451) | – | – | (451) |
| – loans receivable | (1,441) | – | – | (1,441) |
| Net foreign exchange gain (loss) | 1,134 | (32) | (191) | 911 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

7. SEGMENT INFORMATION (continued)

Other information (continued)

The Group's segment revenue from external customers determined based on location of operation of the Group and information about its non-current assets (excluding financial instruments) by geographical location of the assets are detailed below:

| | Revenue from external customers | | Non-current assets | |
|-------------------------------|---------------------------------|------------------|--------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 |
| Hong Kong (Place of domicile) | 68,792 | 96,863 | 40,622 | 34,814 |
| PRC | – | – | 2,358 | 4,725 |
| Total | 68,792 | 96,863 | 42,980 | 39,539 |

There were no customers for the years ended 31 December 2022 and 2021 contributing over 10% of the Group's total revenue.

8. OTHER INCOME

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Imputed interest income on rental deposits | 119 | 113 |
| Sundry income | 3,245 | 1,123 |
| Government grants | 1,092 | 604 |
| | 4,456 | 1,840 |

During the year ended 31 December 2022, the Group recognised government grants of HK\$1,092,000 (2021:HK\$604,000) in respect of COVID-19-related subsidies, of which HK\$Nil (2021:HK\$135,000) relates to Employment Support Scheme provided by the Hong Kong government for compensating the Group's staff costs and HK\$982,400 (2021:HK\$469,000) related to an unconditional subsidy under Subsidy Scheme for the Securities Industry specified in the Hong Kong government's "Anti-epidemic Fund".

9. OTHER GAINS/LOSSES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Net losses on financial assets at FVTPL (note) | (5,630) | (14,697) |
| Gain on disposal of investment property | – | 1,563 |
| Loss on disposal of property and equipment | (11) | (324) |
| Write-off of financial assets and contract assets | (63) | (615) |
| Net foreign exchange (loss) gain | (3,990) | 911 |
| | (9,694) | (13,162) |

Note: The amount includes dividend income of HK\$6,773,000 (2021: HK\$1,217,000) from financial assets at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

10. SALARIES AND RELATED BENEFITS

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Salaries and related benefits represent the amounts paid and payable to the directors of the Company and employees of the Group, and comprise: | | |
| Salaries and allowances | 47,314 | 55,911 |
| Contributions to retirement benefits schemes | 2,019 | 2,621 |
| | 49,333 | 58,532 |

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2022

| | Kwan Pak Hoo Bankee HK\$'000 (note (a)) | Li Shing Wai Lewis HK\$'000 (note (b)) | Kwan Teng Hin Jeffrey HK\$'000 (note (c)) | Cheung Wai Lim William HK\$'000 (note (c)) | Kwok Ka Lok Lionel HK\$'000 (note (b)) | Law Hin Ong Trevor HK\$'000 (note (e)) | Wong Sze Kai Angela HK\$'000 (note (e)) | Total 2022 HK\$'000 |
|--|---|--|---|--|--|---|---|------------------------------------|
| (A) EXECUTIVE DIRECTORS | | | | | | | | |
| Fees | - | - | - | - | - | - | - | - |
| Other emoluments: | | | | | | | | |
| Salaries and allowances | 2,200 | 340 | 720 | 840 | 340 | 490 | 417 | 5,347 |
| Retirement benefits | 18 | 8 | 18 | 18 | 3 | 11 | 9 | 85 |
| Sub-total | 2,218 | 348 | 738 | 858 | 343 | 501 | 426 | 5,432 |
| | | | | Lo Kwok Hung John HK\$'000 | Lo Ming Chi Charles HK\$'000 | Cheng Shu Shing Raymond HK\$'000 | | Total 2022 HK\$'000 |
| (B) INDEPENDENT NON-EXECUTIVE DIRECTORS | | | | | | | | |
| Fees | | | | 150 | 150 | 150 | | 450 |
| Sub-total | | | | 150 | 150 | 150 | | 450 |
| Total | | | | | | | | 5,882 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the year ended 31 December 2021

| | Kwan Pak Hoo Bankee HK\$'000 (note (a)) | Li Shing Wai Lewis HK\$'000 (note (b)) | Kwan Teng Hin Jeffrey HK\$'000 | Cheung Wai Lim William HK\$'000 (note (c)) | Kwok Ka Lok Lionel HK\$'000 (note (b)) | Ng Hin Sing Derek HK\$'000 (note (d)) | Total 2021 HK\$'000 |
|---|---|--|---|--|--|---|---------------------------|
| (A) EXECUTIVE DIRECTORS | | | | | | | |
| Fees | - | - | - | - | - | - | - |
| Other emoluments: | | | | | | | |
| Salaries and allowances | 2,400 | 960 | 840 | 361 | 960 | 561 | 6,082 |
| Retirement benefits | 18 | 18 | 18 | 7 | 18 | 11 | 90 |
| Sub-total | 2,418 | 978 | 858 | 368 | 978 | 572 | 6,172 |
| | | | Lo Kwok Hung John HK\$'000 | Lo Ming Chi Charles HK\$'000 | Cheng Shu Shing Raymond HK\$'000 | | Total 2021 HK\$'000 |
| (B) INDEPENDENT NON-EXECUTIVE DIRECTORS | | | | | | | |
| Fees | | 150 | | 150 | 150 | | 450 |
| Sub-total | | 150 | | 150 | 150 | | 450 |
| Total | | | | | | | 6,622 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

- (a) During the year ended 31 December 2022 and 2021, he was appointed as Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- (b) During the year ended 31 December 2022, Mr Li Shing Wai Lewis and Mr Kwok Ka Lok Lionel resigned as executive directors of the Company.
- (c) During the year ended 31 December 2021, Mr Cheung Wai Lim William was appointed as executive director of the Company.
- (d) During the year ended 31 December 2021, Mr Ng Hin Sing Derek resigned as executive director of the Company.
- (e) During the year ended 31 December 2022, Mr Law Hin Ong Trevor and Ms Wong Sze Kai Angela were appointed as executive directors of the Company.

12. EMPLOYEES' REMUNERATION

Two (2021: three) of the five individuals with the highest emoluments in the Group were directors of the Company for the year ended 31 December 2022. Details of these directors' emolument are included in the disclosures in note 11 above. For the year ended 31 December 2022, the emolument of the remaining three (2021: two) individuals were as follows:

| | 2022 | 2021 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Salaries and allowances | 2,992 | 1,774 |
| Contributions to retirement benefits schemes | 46 | 23 |
| | 3,038 | 1,797 |

For the year ended 31 December 2022, the remuneration of the three individuals (other than directors) (2021:two) was within the following bands:

| | Number of | Number of |
|--------------------------------|------------------|-----------|
| | employees | employees |
| | 2022 | 2021 |
| Nil to HK\$1,000,000 | 2 | 2 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | – |
| | 3 | 2 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

13. FINANCE COSTS

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Interest on bank borrowing | 2,810 | 6,433 |
| Interest on lease liabilities | 1,003 | 751 |
| Interest on loan from a related party | 3,998 | 263 |
| | 7,811 | 7,447 |

14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Net impairment losses/(reversal) recognised on: | | |
| Accounts receivable | 7,540 | 451 |
| Loans receivable | (590) | 1,441 |
| | 6,950 | 1,892 |

Details of impairment assessment for the years ended 31 December 2022 and 2021 are set out in note 41.

15. OTHER OPERATING EXPENSES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Handling expenses: | | |
| – dealing in securities | 2,223 | 2,975 |
| – dealing in futures and options | 466 | 600 |
| Advertising and promotion expenses | 3,223 | 2,627 |
| Telecommunications expenses | 8,561 | 9,994 |
| Auditor's remuneration | 2,520 | 2,520 |
| Legal and professional fees | 3,430 | 3,126 |
| Printing and stationery expenses | 1,614 | 1,865 |
| Repair and maintenance expenses | 1,493 | 1,146 |
| Travelling and transportation expenses | 359 | 253 |
| Water and electricity expenses | 681 | 643 |
| Office management fee and rates | 2,219 | 2,866 |
| Others | 8,269 | 9,142 |
| | 35,058 | 37,757 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

16. INCOME TAX CREDIT

| | 2022 HK\$'000 | 2021 HK\$'000 |
|------------------------|------------------|------------------|
| Current tax: | | |
| Hong Kong | – | – |
| Deferred tax (note 36) | – | (40) |
| | – | (40) |

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Loss before taxation | (69,798) | (53,510) |
| Taxation at income tax rate of 16.5% | (11,517) | (8,829) |
| Tax effect of expenses not deductible for tax purpose | 5,740 | 3,954 |
| Tax effect of income not taxable for tax purpose | (1,886) | (409) |
| Tax effect of deductible temporary differences not recognised | – | 2,081 |
| Tax effect of utilisation of tax losses previously not recognised | (723) | (198) |
| Tax effect of utilisation of temporary differences previously not recognised | (153) | (3,359) |
| Tax effect of tax losses not recognised | 8,477 | 6,799 |
| Others | 62 | (79) |
| Income tax credit | – | (40) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

17. LOSS PER SHARE

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

Loss

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Loss for the purposes of basic and diluted loss per share | (69,798) | (53,470) |

| | 2022 | 2021 |
|--|--------------------|-------------|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 261,174,779 | 253,235,908 |
| Effect of dilutive potential ordinary shares: Share options of the Company | – | – |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | 261,174,779 | 253,235,908 |

For the years ended 31 December 2022 and 2021, the computation of diluted loss per share has not taken into account the effects of share options which are anti-dilutive.

18. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

19. PROPERTY AND EQUIPMENT

| | Right-of- use assets - leased properties | Leasehold improvements | Furniture and fixtures | Computer and equipment | Motor vehicle | Total |
|--|---|-----------------------------------|---------------------------------------|---------------------------------------|--------------------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| COST | | | | | | |
| At 1 January 2021 | 49,843 | 11,359 | 2,815 | 10,123 | – | 74,140 |
| Exchange adjustments | – | 46 | 44 | – | – | 90 |
| Additions | 11,006 | 3,707 | 223 | 508 | – | 15,444 |
| Written-off/disposal | – | – | (626) | – | – | (626) |
| Written-off upon end of leases | (3,694) | – | – | – | – | (3,694) |
| At 31 December 2021 | 57,155 | 15,112 | 2,456 | 10,631 | – | 85,354 |
| Exchange adjustments | – | (7) | (68) | – | – | (75) |
| Additions | 15,242 | 558 | 11 | 106 | 836 | 16,753 |
| Written-off/disposal | – | – | (131) | – | – | (131) |
| At 31 December 2022 | 72,397 | 15,663 | 2,268 | 10,737 | 836 | 101,901 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | | |
| At 1 January 2021 | 39,266 | 6,842 | 2,118 | 9,484 | – | 57,710 |
| Exchange adjustments | – | 20 | 40 | – | – | 60 |
| Provided for the year | 6,864 | 1,365 | 108 | 313 | – | 8,650 |
| Written-off/disposal | – | – | (302) | – | – | (302) |
| Written-off upon end of leases | (3,694) | – | – | – | – | (3,694) |
| At 31 December 2021 | 42,436 | 8,227 | 1,964 | 9,797 | – | 62,424 |
| Exchange adjustments | – | 3 | (87) | – | – | (84) |
| Provided for the year | 9,441 | 1,824 | 307 | 164 | 70 | 11,806 |
| Written-off/disposal | – | – | (120) | – | – | (120) |
| At 31 December 2022 | 51,877 | 10,054 | 2,064 | 9,961 | 70 | 74,026 |
| CARRYING VALUES | | | | | | |
| As at 31 December 2022 | 20,520 | 5,609 | 204 | 776 | 766 | 27,875 |
| As at 31 December 2021 | 14,719 | 6,885 | 492 | 834 | – | 22,930 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

19. PROPERTY AND EQUIPMENT (continued)

The above property and equipment are depreciated on a straight-line basis over the following years:

| | |
|---|---|
| Right-of-use assets - leased properties | Over the shorter of the lease terms and 5 years |
| Leasehold improvements | Over the shorter of the lease terms and 5 years |
| Furniture and fixtures | 5 years |
| Computer and equipment | 5 years |
| Motor vehicle | 5 years |

Total cash outflow for leases for the year ended 31 December 2022 amounted to HK\$10,243,000 (2021: HK\$11,960,000).

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of two years to five years, but may have extension options as described below. 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.

The Group has extension options in a number of leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise are summarised below:

| | Lease liabilities recognised as at 31 December 2022 | Potential future lease payments not included in lease liabilities (undiscounted) |
|----------------------|--|---|
| | HK\$'000 | HK\$'000 |
| Offices at Hong Kong | 8,439 | 1,440 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

19. PROPERTY AND EQUIPMENT (continued)

| | Lease liabilities recognised as at 31 December 2021 HK\$'000 | Potential future lease payments not included in lease liabilities (undiscounted) HK\$'000 |
|----------------------|--|--|
| Offices at Hong Kong | 7,005 | 16,278 |

Restrictions or covenants on leases

In addition, lease liabilities of HK\$24,869,000 (2021: HK\$19,058,000) are recognised with related right-of-use assets of HK\$20,520,000 (2021: HK\$14,719,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Impairment assessment

For the years ended 31 December 2022 and 2021, as a result of the recurring losses of the Group and significant uncertainty on global and local economic environment, the management of the Group concluded there was indicator for impairment on property and equipment. The Group estimates the recoverable amount of the various CGUs of broking, asset management and wealth management which in aggregate are reported as financial services segment and proprietary trading which is a separate segment to which the asset belongs, using the higher of value in use and fair value less cost of disposal of the respective CGU.

As at 31 December 2022 and 2021, the Group estimates the recoverable amount of the CGUs to which the asset belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of cash-generating units has been determined based on a fair value less costs of disposal. The cash-generating units were measured at fair value based on Level 3 hierarchy using the income method. The cash flows projections and discount rate reflect assumptions that market participants would use when pricing the relevant CGUs of the Group covering the following 3 years with a pre-tax discount rate of 8.75% (2021: 6.59%) as at 31 December 2022. The annual growth rates used range is from 0% to 30% (2021: 0% to 30%), which are based on the forecast of business activities prepared by the management. The cash flows beyond the three-year period are extrapolated using 2.4% (2021: 2.1%) growth rate. The growth rates and discount rate as at 31 December 2022 have been reassessed taking into consideration higher degree of estimation uncertainties due to uncertainty on how the inflationary environment and interest rates hike may progress and evolve.

For the year ended 31 December 2022 and 2021, based on the results of the assessment, management of the Group determined that no impairment or reversal of impairment on property and equipment is required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

20. INVESTMENT PROPERTY

| | HK\$'000 |
|--|----------|
| FAIR VALUE | |
| At 1 January 2021 | 18,934 |
| Disposal | (20,497) |
| Gain on disposal of investment property | 1,563 |
| | <hr/> |
| At 31 December 2021 and 31 December 2022 | – |

21. INTANGIBLE ASSETS

| | Trading rights HK\$'000 |
|--|-------------------------------|
| COST AND CARRYING VALUES | |
| At 31 December 2022 and 31 December 2021 | <hr/> 9,092 |

At 31 December 2022, intangible assets amounting to HK\$9,092,000 (2021: HK\$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights were considered by the management of the Group as having an indefinite useful life because these are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead these will be tested for impairment annually and whenever there is an indication that they may be impaired.

For impairment testing purpose, the recoverable amount of the trading rights is determined based on the fair value less cost of disposal. The directors of the Company consider that the fair value less cost of disposal of the trading rights is more than the carrying amounts and accordingly, no impairment is recognised in profit or loss for both years.

22. CLUB DEBENTURES

The club debentures are stated at cost, less any identified impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

23. OTHER ASSETS

| | 2022 | 2021 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Statutory deposits with exchanges and clearing houses | 5,353 | 6,857 |

The above deposits are non-interest bearing.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets designated at FVTOCI:

| | 2022 | 2021 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Unlisted equity investments at fair value | 24,328 | 27,679 |

The unlisted investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these unlisted investments as at FVTOCI as they believe that recognising short-term fluctuations in the investments' fair value in profit or loss would not be consistent with the Group's strategy of holding the investments for long-term purposes and realising their performance potential in the long run.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. ACCOUNTS RECEIVABLE

| | Notes | 2022 HK\$'000 | 2021 HK\$'000 |
|---|-------|------------------|------------------|
| Accounts receivable arising from the business of dealing in securities: | (a) | | |
| Clearing houses, brokers and dealers | | 39,677 | 38,915 |
| Cash clients | | 8,530 | 27,865 |
| | | 48,207 | 66,780 |
| Accounts receivable arising from the business of margin financing | (a) | 128,182 | 98,303 |
| Less: allowance for impairment | | (11,456) | (3,916) |
| | | 116,726 | 94,387 |
| Accounts receivable arising from the business of dealing in futures and options: | (a) | | |
| Cash clients | | 184 | 184 |
| Clearing houses, brokers and dealers | | 23,301 | 20,646 |
| | | 23,485 | 20,830 |
| Commission receivable from brokerage of general and life insurance, mutual funds and MPF products | (b) | – | 153 |
| | | 188,418 | 182,150 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. ACCOUNTS RECEIVABLE (continued)

Notes:

- (a) Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clients, brokers, dealers and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

The Group provides customers with margin financing for securities transactions secured by customers' securities held as collateral. Securities are assigned with specific margin ratios for calculating margin values. Additional funds or collateral are required if the amount of accounts receivable from margin clients outstanding exceeds the eligible margin value of the securities deposited.

The customers' listed securities can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use clients' securities up to the amount of 140% of the accounts receivable from margin clients as collateral of the Group's borrowings. The accounts receivable from margin clients are repayable on demand and bear interest at commercial rates. As at 31 December 2022, accounts receivable from margin clients are secured by clients' pledged securities with fair value of approximately HK\$315,752,000 (2021: HK\$418,225,000), of which 58% (2021: 95%) of accounts receivable arising from the business of margin financing are fully collateralised.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously. Details are set out in note 41.

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

- (b) The Group allows a credit period of 30 days for commission receivable from brokerage of general and life insurance, mutual funds and MPF products. The ageing analysis (from the completion date of investment banking services or receipt of statements from fund houses) of such receivables is as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-------------|------------------|------------------|
| 0 - 30 days | – | 153 |

As at 1 January 2021, commission receivable from brokerage of general and life insurance, mutual funds and MPF products as well as accounts receivable arising from the provision of investment banking services amounted to HK\$62,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. ACCOUNTS RECEIVABLE (continued)

Details of the credit risk profile disclosure and movements in the allowance for impairment for the years ended 31 December 2022 and 2021 are set out in "credit risk and impairment assessment" in note 41.

Included in accounts receivable from margin clients arising from the business of margin financing are amounts due from certain related parties, details of which are as follows:

| Name | Balance at 1 January HK\$'000 | Balance at 31 December HK\$'000 | Maximum amount outstanding during the year HK\$'000 | Market value of pledged securities at fair value at 31 December HK\$'000 |
|--------------------------------------|-------------------------------------|---------------------------------------|--|---|
| Directors of the Company | | | | |
| Dr Kwan Pak Hoo Bankee | | | | |
| 2022 | – | – | 174 | – |
| 2021 | – | – | 8,760 | – |
| Mr Li Shing Wai Lewis | | | | |
| 2022 | – | – | 192 | – |
| 2021 | – | – | 2,487 | – |
| Mr Kwan Teng Hin Jeffrey | | | | |
| 2022 | – | – | – | – |
| 2021 | – | – | 14,345 | – |
| Mr Kwok Ka Lok Lionel (note (4)) | | | | |
| 2022 (from 1.1.2022 to 28.2.2022) | – | – | – | – |
| 2021 | – | – | 2,773 | – |
| Mr Cheung Wai Lim William (note (2)) | | | | |
| 2022 | – | – | 392 | – |
| 2021 (from 16.8.2021 to 31.12.2021) | – | – | 2,995 | – |
| Mr Ng Hin Sing Derek (note (1)) | | | | |
| 2021 (from 1.1.2021 to 15.8.2021) | 2,730 | N/A | 23,590 | N/A |
| Mr Law Hin Ong Trevor (note (5)) | | | | |
| 2022 (from 1.6.2022 to 31.12.2022) | N/A | – | 190 | – |
| Subsidiary of CASH | | | | |
| Cashflow Credit Limited (note (3)) | | | | |
| 2022 | – | – | 2,555 | – |
| 2021 | – | – | 24,236 | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. ACCOUNTS RECEIVABLE (continued)

Notes:

- (1) Mr Ng Hin Sing Derek resigned as executive director of the Company during the year ended 31 December 2021.
- (2) Mr Cheung Wai Lim William was appointed as executive director of the Company during the year ended 31 December 2021.
- (3) Cashflow Credit Limited is a subsidiary of CASH, the ultimate holding company (2021: substantial shareholder) of the Company.
- (4) Mr Kwok Ka Lok Lionel resigned as executive director of the Company during the year ended 31 December 2022.
- (5) Mr Law Hin Ong Trevor was appointed as executive director and deputy chief financial officer of the Company during the year ended 31 December 2022.

The accounts receivable from business of margin financing are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

26. CONTRACT ASSETS

Contract assets represent the Group's rights to commission from insurers for the provision of placement services of general and life insurance, mutual funds and MPF products. The Group recognises revenue when the placement is successful whilst the Group's right to commission is conditional on the payment of the premiums to the insurers. The contract assets are transferred to accounts receivable when the rights become unconditional.

The Group's contract assets are analysed as follows:

| | 2022 | 2021 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Commission arising from placement of mutual funds and insurance-linked investment products | 2,755 | 4,813 |

As at 1 January 2021, contract assets amounted to HK\$2,690,000.

At 31 December 2022, the recognition of contract assets of HK\$2,755,000 (2021: HK\$4,813,000) represents management's best estimate of each contract's outcome.

Details of the impairment assessment of contract assets at 31 December 2022 and 2021 are set out in note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

27. LOANS RECEIVABLE

| | 2022 | 2021 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Revolving loans receivable denominated in: | | |
| Hong Kong dollars | 7,767 | 21,544 |
| Renminbi | 4,667 | 4,697 |
| United State dollars | 367 | 353 |
| Less: allowance for impairment | (1,807) | (2,397) |
| | 10,994 | 24,197 |
| Term loan receivable denominated in: | | |
| Hong Kong dollars | – | 16,000 |
| | 10,994 | 40,197 |

As at 31 December 2022, loans receivable have contractual interest rates ranging from 3% to 10% per annum (2021: from 2% to 11% per annum). As at 31 December 2022, the loans receivable included a total carrying amount of HK\$Nil (2021: HK\$10,400,000), HK\$2,335,000 (2021: HK\$2,350,000) and HK\$2,332,000 (2021: HK\$2,347,000) which are loans to nil (2021: five) directors, one (2021: one) senior management and one (2021: one) staff respectively, of the Group.

Details of impairment assessment at 31 December 2022 and 2021 are set out in note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

27. LOANS RECEIVABLE (continued)

Details of loans receivable from directors of the Company are as follows:

| Name | Balance at 1 January HK\$'000 | Balance at 31 December HK\$'000 | Maximum amount outstanding during the year HK\$'000 |
|--------------------------------------|-------------------------------------|---------------------------------------|--|
| Directors of the Company | | | |
| Dr Kwan Pak Hoo Bankee (note (1)) | | | |
| 2022 | 1,516 | – | 1,578 |
| 2021 | 2,820 | 1,516 | 2,820 |
| Mr Kwok Ka Lok Lionel (note (2)) | | | |
| 2022 | 2,782 | – | 2,861 |
| 2021 | 506 | 2,782 | 2,849 |
| Mr Kwan Teng Hin Jeffrey (note (3)) | | | |
| 2022 | 1,300 | – | 1,340 |
| 2021 | – | 1,300 | 1,332 |
| Mr Li Shing Wai Lewis (note (4)) | | | |
| 2022 | 2,801 | – | 2,886 |
| 2021 | – | 2,801 | 2,869 |
| Mr Cheung Wai Lim William (note (5)) | | | |
| 2022 | 2,001 | – | 2,061 |
| 2021 | – | 2,001 | 2,049 |

Notes:

- (1) The amount is unsecured, bear interest at Hong Kong Prime Rate and is repayable on 4 November 2024. The amount is early repaid during the year ended 31 December 2022.
- (2) The amount is unsecured, bear interest at Hong Kong Prime Rate and is repayable on 5 May 2022.
- (3) The amount is unsecured, bear interest at Hong Kong Prime Rate + 2% and is repayable on 10 June 2022.
- (4) The amount is unsecured, bear interest at Hong Kong Prime Rate + 2% and is repayable on 17 February 2022.
- (5) The amount is unsecured, bear interest at Hong Kong Prime Rate + 2% and is repayable on 17 February 2022.

The carrying amount of the loans receivable has remaining contractual maturity dates as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| On demand or within one year | 10,135 | 38,681 |
| In more than two years but not more than three years | 859 | 1,516 |
| | 10,994 | 40,197 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Deposits | 4,888 | 2,532 |
| Prepayments and other receivables | 24,205 | 26,260 |
| | 29,093 | 28,792 |

Included in the other receivables, amount of HK\$19,062,000 (2021: HK\$20,768,000) was related to the proceeds from the disposal of investment property and the proceeds are held by Dr Kwan Pak Hoo Bankee on trust for and on behalf of Think Right Investments Limited, a wholly-owned subsidiary of the Group. Such balance was repaid in January 2023. The remaining other receivables are non-interest bearing and repayable on demand or within one year.

Details of impairment assessment for the years ended 31 December 2022 and 2021 are set out in note 41.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Financial assets mandatorily measured at FVTPL: | | |
| Listed securities held for trading: | | |
| – Equity securities listed in Hong Kong (note (a)) | 22,767 | 99,408 |
| Other investment: | | |
| – Unlisted fund investment (note (b)) | 4,812 | 5,534 |
| | 27,579 | 104,942 |

Notes:

- (a) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.
- (b) The fair value of the unlisted fund investment is determined with reference to the net asset value of the fund.

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Analysed for reporting purposes as: | | |
| Current assets | 22,767 | 99,408 |
| Non-current assets | 4,812 | 5,534 |
| | 27,579 | 104,942 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

30. BANK BALANCES AND CASH

Bank balances - trust and segregated accounts

The Group receives and holds monies deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. Such monies are maintained in one or more segregated bank accounts and bear interest at commercial rate. The Group has recognised the corresponding liabilities to respective external clients and other institutions as accounts payable (note 32). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, at prevailing market interest rates with an original maturity of three months or less.

Details of impairment assessment for the years ended 31 December 2022 and 2021 are set out in note 41.

31. AMOUNTS DUE FROM RELATED COMPANIES

These companies are subsidiaries of CASH and are regarded as related companies of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

32. ACCOUNTS PAYABLE

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Accounts payable arising from the business of dealing in securities: | | |
| Clearing houses and brokers | 1,561 | 9,715 |
| Cash clients | 396,620 | 522,630 |
| Margin clients | 66,300 | 94,477 |
| Accounts payable to clients arising from the business of dealing in futures and options | 45,699 | 72,489 |
| Accounts payable arising from the business of wealth management | 226 | – |
| Accounts payable to independent financial advisors arising from the business of wealth management services | 519 | 1,777 |
| | 510,925 | 701,088 |

The settlement terms of accounts payable from the business of dealing in securities are two days after trade date, and accounts payable arising from the business of dealing in futures and options contracts are one day after trade date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

Accounts payable to independent financial advisors arising from business of wealth management services are generally settled within 30 days upon receipt of payments from product issuers/clients.

Except for the accounts payable to clients arising from the business of dealing in securities which bear interest at a fixed rate, all other accounts payable are non-interest bearing.

Accounts payable amounting to HK\$482,196,000 (2021: HK\$660,971,000) are payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

33. ACCRUED LIABILITIES AND OTHER PAYABLES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Accrued liabilities | | |
| – Accrual for salaries and commission | 897 | 588 |
| – Other accrued liabilities | 9,496 | 7,663 |
| Other payables | 16,321 | 16,681 |
| | 26,714 | 24,932 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

34. BANK BORROWINGS

| | 2022 | 2021 |
|---------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Bank loans, secured | 80,064 | 73,026 |

The bank borrowings of HK\$80,064,000 (2021:HK\$73,026,000) contain a repayment on demand clause and repayable within one year and shown under current liabilities.

The Group's bank borrowings as at 31 December 2022 and 2021 are guaranteed and/or secured by:

- (a) corporate guarantees from the Company for both years;
- (b) corporate guarantees from certain subsidiaries of the Company for both years; and
- (c) marketable securities of the Group's clients with fair value of HK\$150,158,000 (2021: HK\$142,256,000) at 31 December 2022 (with clients' consent).

Bank loans amounting to HK\$80,064,000 (2021: HK\$73,026,000) are variable-rate borrowings which carry interest with reference to HIBOR.

The effective interest rates on the Group's borrowings are also equal to the contracted interest rates of 5.4% to 7.4% (2021: 1.5% to 5%) per annum.

35. LOAN FROM A RELATED PARTY

The amounts are unsecured, carried interest rate at HIBOR + 3% (2021: Hong Kong Prime Rate) and repayable within one year and shown under current liabilities (2021: repayable after one year and shown under non-current liabilities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and the movements thereon during the current and the prior reporting years:

Deferred tax liabilities

| | Revaluation of investment property HK\$'000 |
|---|---|
| At 1 January 2021 | (40) |
| Deferred tax credited to profit or loss during the year (note 16) | <u>40</u> |
| At 31 December 2021, 1 January 2022 and 31 December 2022 | <u>–</u> |

At 31 December 2022, the Group has estimated unused tax losses of approximately HK\$566,843,000 (2021: HK\$519,849,000) and deductible temporary differences of HK\$39,245,000 (2021: HK\$40,172,000). No deferred tax asset has been recognised as at 31 December 2022 and 2021 in respect of these estimated unused tax losses and deductible temporary differences as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

Estimated unused tax losses of HK\$2,061,000 (2021: HK\$3,669,000) incurred by certain subsidiaries operating in PRC are subject to expiry periods of five years from the year in which the tax losses arose under the current tax legislation. The remaining estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

37. LEASE LIABILITIES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Lease liabilities payable: | | |
| Within one year | 10,493 | 11,220 |
| More than one year but not exceeding two years | 8,671 | 4,338 |
| More than two years but not exceeding three years | 5,705 | 3,500 |
| | 24,869 | 19,058 |
| Less: amount due for settlement with 12 months shown under current liabilities | (10,493) | (11,220) |
| Amount due for settlement after 12 months shown under non-current liabilities | 14,376 | 7,838 |

The weighted average incremental borrowing rates applied to lease liabilities ranged from 4% to 4.125% (2021: from 4% to 4.125%).

The Group leases various properties to operate its business and these liabilities were measured at the present value of the lease payments that are not yet paid.

38. SHARE CAPITAL

| | Number of shares ('000) of HK\$0.4 per share | | of HK\$0.04 per share | HK\$'000 |
|--|--|---------|--------------------------|-----------|
| Authorised: | | | | |
| At 1 January 2021, 31 December 2021 and 1 January 2022 | 750,000 | – | | 300,000 |
| Effect of capital reorganisation (note i) | (750,000) | 750,000 | | (270,000) |
| At 31 December 2022 | – | 750,000 | | 30,000 |
| Issued and fully paid: | | | | |
| At 1 January 2021 | 242,623 | – | | 97,049 |
| Shares issued upon exercise of share options under the share options scheme (note ii) | 18,552 | – | | 7,421 |
| At 31 December 2021 and 1 January 2022 | 261,175 | – | | 104,470 |
| Effect of capital reorganisation (note i) | (261,175) | 261,175 | | (94,023) |
| At 31 December 2022 | – | 261,175 | | 10,447 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

38. SHARE CAPITAL (continued)

Notes:

- i) Pursuant to a special resolution passed in the special general meeting held on 13 July 2022, the Company proceed with the capital reorganisation (the "Capital Reorganisation") involving, among others, the following:
 - a. the capital reduction, being the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.36 on each of the issued Shares such that the par value of each issued Share will be reduced from HK\$0.40 to HK\$0.04;
 - b. share premium reduction whereby the reduction of HK\$600,000,000 standing to the credit of the share premium account;
 - c. the credit arising from the capital reduction and the share premium reduction applied to set off the accumulated losses of the Company.
- ii) During the year ended 31 December 2021, share options were exercised to subscribe for 18,552,000 ordinary shares of the Company at a consideration of HK\$8,906,000, of which HK\$7,421,000 was credited to share capital and the balance of HK\$5,193,000 was credited to the share premium. HK\$3,708,000 has been transferred from the share-based payment reserve to the share premium.

All new shares rank pari passu with other shares in issue in all respects.

39. NON-CONTROLLING INTERESTS

| | Share of net assets of subsidiary HK\$'000 |
|--|--|
| At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 | <u>8,538</u> |

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 34, loan from a related party in note 35 and lease liabilities disclosed in note 37, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 38, retained earnings and other reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the issue of new shares and share options as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-----------------------|------------------|------------------|
| Financial assets | | |
| At FVTPL | 27,579 | 104,942 |
| At FVTOCI | 24,328 | 27,679 |
| At amortised cost | 953,706 | 1,117,053 |
| Financial liabilities | | |
| Amortised cost | 674,171 | 851,058 |

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, accounts receivable, loans receivable, amounts due from related companies, deposits and other receivables, bank balances, bank borrowings, loan from a related party, other payables and accounts payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity and other price risks

The Group has a portfolio of equity securities held for trading which are measured at FVTPL and expose the Group to price risk. In both years, the directors of the Company manage the exposure by closely monitoring the portfolio of equity securities held for trading and imposing trading limits on individual trades.

In addition, the Group also invested in unlisted equity investments and unlisted fund investment for long-term strategic purposes which had been designated at FVTOCI and classified at FVTPL respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Equity and other price risks (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of listed equity securities held for trading at the end of the reporting period.

As at 31 December 2022, if the market bid prices of the Group's listed equity investments had been 15 percent (2021: 15 percent) higher/lower, the Group's loss after taxation would decrease/increase by HK\$3,415,000 (2021: HK\$14,911,000). This is attributable to the changes in fair values of the listed equity investments.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to accounts payable to clients arising from business of dealing in securities and lease liabilities. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, accounts receivable arising from the business of margin financing, loans receivable and bank borrowings, loan from a related party carrying interest at prevailing market rates. However, management closely monitors its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 (2021: 50) basis points ("bps") change representing management's assessment of the reasonably possible change in interest rates is used.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Prime Rate and HIBOR arising from the Group's respective RMB and USD denominated financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial assets and liabilities at amortised cost, bearing variable interest. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole year. When reporting to management of the Group on the interest rate risk, a 50 bps increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as these are subject to minimal interest rate fluctuation. A positive number below indicates a decrease in loss after taxation of the Group or vice versa.

| | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------------------------|------------------|------------------|
| Loss after taxation for the year | | |
| Increase by 50 bps | (113) | (291) |
| Decrease by 50 bps | 113 | 291 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

The group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets and liabilities denominated in foreign currencies.

The exposure primarily arises from the receivables from foreign brokers, foreign currency deposits with banks and accounts payable to clients denominated in USD and RMB. The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise. The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view that Hong Kong dollar is pegged to USD.

The carrying amounts of the major foreign currency denominated monetary assets and monetary liabilities of the Group at the reporting date are as follows:

| | Liabilities | | Assets | |
|-----|------------------|------------------|------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 |
| USD | 59,194 | 62,045 | 91,709 | 108,114 |
| RMB | 13,042 | 39,337 | 39,657 | 72,549 |

As at 31 December 2022, if RMB had strengthened/weakened by 5% (2021: 5%) against HK\$ and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK\$1,331,000 (2021: HK\$1,661,000). Under the pegged exchange rate system, the financial impact in exchange fluctuation between HK\$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposure and related impairment assessment are summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

In order to minimise the credit risk on brokerage and financing services, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on delinquent receivables. In addition, the Group has a policy for assessing the credit risk of accounts and loans receivable. The assessment is based on a close monitoring and evaluation of collectability and on management's judgment, including the ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, etc. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

| | Notes | External credit rating | Internal credit management and assessment | 12-month or lifetime ECL | 2022 Gross carrying amount HK\$'000 | 2021 Gross carrying amount HK\$'000 |
|---|-------|---|---|--|--|-------------------------------------|
| Financial assets at amortised cost | | | | | | |
| Loans receivable | 27 | N/A | Notes 1,5 | 12-month ECL Credit-impaired | 11,143 1,658 | 40,665 1,929 |
| | | | | | 12,801 | 42,594 |
| Bank balances | 30 | A3 - Aa1 Baa3 - Baa1 (notes 2, 5) | N/A N/A | 12-month ECL 12-month ECL | 724,194 1,573 | 844,961 19,590 |
| | | | | | 725,767 | 864,551 |
| Accounts receivable arising from contracts with customers under HKFRS 15 | 25 | N/A | Note 3 | Lifetime ECL (not credit-impaired) | - | 153 |
| Accounts receivable arising from the business of dealing in securities, futures and options | 25 | N/A | Note 6 | 12-month ECL | 71,692 | 87,610 |
| Accounts receivable arising from the business of margin financing | 25 | N/A | Note 4 | 12-month ECL Lifetime ECL (not credit-impaired) Credit-impaired | 68,725 1,350 58,107 | 73,250 1,564 23,489 |
| | | | | | 128,182 | 98,303 |
| Deposits and other receivables | 28 | N/A | Note 5 | 12-month ECL | 28,527 | 29,154 |
| Amounts due from related companies | 31 | N/A | Note 5 | 12-month ECL | - | 1,001 |
| Other item | | | | | | |
| Contract assets | 26 | N/A | Note 3 | Lifetime ECL (not credit-impaired) | 2,755 | 4,813 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1. In order to minimise the credit risk, the management of the Group closely evaluates the borrower's financial background and repayment abilities. The assessment is based on a close monitoring and evaluation of the collectability of each individual account and the past collection history. As at 31 December 2022, the Group had concentration of credit risk on loans receivable as 79% (2021: 66%) of the outstanding balance is from the top four (2021: five) borrowers. During the year, the management considered an unsecured loan overdue more than 90 days of HK\$1,658,000 (2021: HK\$1,929,000) to be uncollectable and fully impaired. The loans receivable of HK\$11,143,000 (2021: HK\$40,665,000) are not overdue and are considered to have no significant increase in credit risk since initial recognition. Accordingly, these are subject to 12-month ECL.
2. The Group has concentration of credit risk arising from bank balances which are mainly deposited with three banks. The credit risk on bank balances and bank deposits is limited because the counterparties are major institutional banks with credit ratings of Baa3 or higher assigned by international credit-rating agencies. These institutional banks have a low risk of default and there is no significant increase in credit risk since initial recognition. Accordingly, they are subject to 12-month ECL.
3. For contract assets and commission receivable from brokerage of general and life insurance, mutual funds and MPF products, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the lifetime ECL on these items based on the Group's historical default rates or by reference to the PD and LGD of speculative grade ratings published by international credit rating agencies ("speculative grade ratings") over the expected life and is adjusted for forward-looking estimates. Majority of the balances are not past due as at 31 December 2022 and 2021.
4. As at 31 December 2022, the Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the five largest clients represent approximately 62% (2021: 46%) of total accounts receivable from margin clients. The Group considers that there is significant increase in credit risk since initial recognition and default indicator when the LTV ratio of a particular client has increased up to certain level for a certain period of time. The PD and LGD over the expected life of the accounts receivable are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort.

For non-credit impaired accounts receivable arising from margin financing, the management performed collective assessment considered the past due status and LTV ratio and ECL are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort. For credit-impaired accounts receivable from margin clients, the management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

5. The ECL is assessed by reference to the PD and LGD for the relevant credit rating grades published by international credit rating agencies, and adjusted for forward-looking factors that are available without undue cost or effort. For exposure from non-rated counterparties, the Group has assessed the ECL by reference to the PD and LGD of speculative grade ratings.
6. For accounts receivable from cash clients was accounts receivable from clients arising from the business of dealing in securities, futures and options, are which normally had a delivery-against payment settlement term of one or two days.

The Group ensures that the exposures are limited to reputable counterparties, such as the financial institutions, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority, the SFC and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors. Accordingly, they are subject to 12-month ECL.

Except for accounts receivable arising from margin financing and loans receivable, the ECL impairment allowance determined for other financial assets carried at amortised cost and contract assets is insignificant and accordingly no provision has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

- (a) The following table shows the reconciliation of loss allowance that has been recognised for accounts receivable arising from margin financing.

| | 12m ECL HK\$'000 | Lifetime ECL (not credit- impaired) HK\$'000 | Lifetime ECL (credit- impaired) HK\$'000 | Total HK\$'000 |
|--|---------------------|--|--|-------------------|
| As at 1 January 2021 | 189 | 597 | 23,351 | 24,137 |
| – Transfer to lifetime ECL (credit-impaired) | (25) | (84) | 109 | – |
| – Transfer to lifetime ECL (not credit-impaired) | (29) | 63 | (34) | – |
| – Transfer to 12m ECL | 4 | (2) | (2) | – |
| – Impairment losses recognised | 653 | 2,249 | 7,320 | 10,222 |
| – Impairment losses reversed | (659) | (2,751) | (6,361) | (9,771) |
| – Written off | – | – | (20,672) | (20,672) |
| As at 31 December 2021 and 1 January 2022 | 133 | 72 | 3,711 | 3,916 |
| – Transfer to lifetime ECL (credit-impaired) | (11) | (49) | 60 | – |
| – Transfer to lifetime ECL (not credit-impaired) | (10) | 10 | – | – |
| – Transfer to 12m ECL | 11 | (10) | (1) | – |
| – Impairment losses recognised | 105 | 1,612 | 12,253 | 13,970 |
| – Impairment losses reversed | (188) | (1,588) | (4,654) | (6,430) |
| As at 31 December 2022 | 40 | 47 | 11,369 | 11,456 |

Note:

In determining the allowances for credit impaired accounts receivable arising from margin financing, the management of the Group also takes into account shortfall by comparing the fair value of collateral and the outstanding balance of accounts receivable arising from margin financing. The directors of the Company consider that the recoverability of the credit-impaired accounts receivable arising from margin financing is highly reliant on the realisation of the collaterals held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(b) The following table shows the reconciliation of loss allowance that has been recognised for loans receivable.

| | 12m ECL HK\$'000 | Lifetime ECL (not credit- impaired) HK\$'000 | Lifetime ECL (credit- impaired) HK\$'000 | Total HK\$'000 |
|--|---------------------|--|--|-------------------|
| As at 1 January 2021 | – | – | 956 | 956 |
| – Impairment losses recognised | – | – | 1,441 | 1,441 |
| As at 31 December 2021 and 1 January 2022 | – | – | 2,397 | 2,397 |
| – Impairment losses recognised | 21 | – | 53 | 74 |
| – Impairment losses reversed | – | – | (664) | (664) |
| As at 31 December 2022 | 21 | – | 1,786 | 1,807 |

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and customers. To address the risk, the treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates.

The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

| | Weighted average effective interest rate % | Repayable on demand HK\$'000 | Less than 1 month to 3 months HK\$'000 | Between 3 months to 1 year HK\$'000 | Over 1 to 5 years HK\$'000 | Total contracted undiscounted cash flows HK\$'000 | Carrying amount at reporting date HK\$'000 |
|----------------------------|--|------------------------------------|---|--|----------------------------------|---|--|
| At 31 December 2022 | | | | | | | |
| Accounts payable | 0.001 | 501,522 | 9,403 | - | - | 510,925 | 510,925 |
| Other payables | N/A | 16,321 | - | - | - | 16,321 | 16,321 |
| Bank borrowings | Note | 80,064 | - | - | - | 80,064 | 80,064 |
| Lease liabilities | 4-4.125 | - | 2,797 | 8,495 | 14,897 | 26,189 | 24,869 |
| Loan from a related party | Note | - | 67,304 | - | - | 67,304 | 66,861 |
| | | 597,907 | 79,504 | 8,495 | 14,897 | 700,803 | 699,040 |
| | Weighted average effective interest rate % | Repayable on demand HK\$'000 | Less than 1 month to 3 months HK\$'000 | Between 3 months to 1 year HK\$'000 | Over 1 to 5 years HK\$'000 | Total contracted undiscounted cash flows HK\$'000 | Carrying amount at reporting date HK\$'000 |
| At 31 December 2021 | | | | | | | |
| Accounts payable | 0.001 | 683,114 | 17,974 | - | - | 701,088 | 701,088 |
| Other payables | N/A | 16,681 | - | - | - | 16,681 | 16,681 |
| Bank borrowings | Note | 73,026 | - | - | - | 73,026 | 73,026 |
| Lease liabilities | 4-4.125 | - | 2,598 | 9,188 | 8,152 | 19,938 | 19,058 |
| Loan from a related party | 5 | - | - | - | 65,887 | 65,887 | 60,263 |
| | | 772,821 | 20,572 | 9,188 | 74,039 | 876,620 | 870,116 |

Note: Variable-rate borrowings carry interest at HIBOR plus a spread. The prevailing market rate at the reporting date is used in the maturity analysis.

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2022, the aggregate carrying amounts of these bank borrowings amounted to approximately HK\$80,064,000 (2021: HK\$73,026,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and related party will exercise their discretionary rights to demand immediate repayment.

As at 31 December 2022, assuming the banks will not exercise their discretionary rights to demand immediate repayment, the aggregate principal and interest cash outflows of such bank loans, amounted to approximately HK\$85,422,000 (2021: HK\$73,061,000), will be repaid within 1 year after the end of the reporting period.

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Interest rate benchmark reform

As listed in notes 34 and 35, several of the Group's HIBOR bank borrowings and loan from a related party will be subject to the interest rate benchmark reform.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank borrowings and loan from a related party linked to HIBOR will continue till maturity and hence, not subject to transition. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

| | Fair value as at | | Fair value hierarchy | Valuation technique(s) | Significant unobservable inputs | Relationship of unobservable inputs to fair value | Reasonable significant change in unobservable inputs | Increase(+)/decrease(-) in fair value of financial instruments by reasonable change in unobservable inputs |
|---|------------------|------------------|----------------------|--|--|---|--|--|
| | 31 December 2022 | 31 December 2021 | | | | | | |
| | HK\$'000 | HK\$'000 | | | | | | HK\$'000 |
| Financial assets | | | | | | | | |
| Financial assets at FVTPL | | | | | | | | |
| Investments held for trading | | | | | | | | |
| – Equity securities listed in Hong Kong | 22,767 | 99,408 | Level 1 | Quoted prices in an active market | N/A | N/A | N/A | N/A |
| Investment held for long-term strategic purpose | | | | | | | | |
| – Unlisted fund investment | 4,812 | 5,534 | Level 3 | Net asset value of the fund calculated based on the discounted cash flows of underlying investments. | Net assets value | The higher the net assets value, the higher the fair value. | 10% | 2022: +481/-481 (2021: +553/-553) |
| Financial assets at FVTOCI | | | | | | | | |
| – Unlisted equity investment | 19,975 | 20,069 | Level 3 | Discounted cash flow method | Discount rate: 2022: 11.03% (2021: 3.96%) | The higher the discount rate, the lower the fair value. | 10% | 2022: -195/+203 (2021: -70/+70) |
| – Unlisted equity investment | 4,353 | 7,610 | Level 3 | Market approach | Discount factor for lack of marketability: 2022: 17% (2021: 20%) | The higher the discount factor for lack of marketability, the lower the fair value. | 10% | 2022: -89/+90 (2021: -150/+150) |
| | | | | | Price-to-Book (PB) Ratio *: 2022: 0.56 (2021: 0.73) | The higher the PB ratio, the higher the fair value. | | |

* No sensitivity analysis is performed as the directors of the Company consider that the impact from PB ratio is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Reconciliation of level 3 fair value measurements

| | Financial assets at FVTPL HK\$'000 |
|--------------------------------|--|
| As at 1 January 2021 | 5,335 |
| Total gains in profit or loss | <u>199</u> |
| As at 31 December 2021 | 5,534 |
| Total losses in profit or loss | <u>(722)</u> |
| As at 31 December 2022 | <u>4,812</u> |

| | Financial assets at FVTOCI HK\$'000 |
|--|---|
| As at 1 January 2021 | 25,649 |
| Total gains in other comprehensive income | <u>2,030</u> |
| As at 31 December 2021 | 27,679 |
| Total losses in other comprehensive income | <u>(3,351)</u> |
| As at 31 December 2022 | <u>24,328</u> |

Included in other comprehensive income is an amount of unrealised losses of HK\$3,351,000 (2021: losses of HK\$2,029,000) related to unlisted equity investments at FVTOCI held as at 31 December 2022.

Included in profit or loss is an amount of unrealised loss of HK\$252,000 (2021: HK\$137,000) related to unlisted fund investment at FVTPL held as at 31 December 2022.

There were no transfers between Levels 1 and 2 in the current and prior years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

As at 31 December 2022

| | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000 | Gross amounts of recognised financial assets presented in the consolidated statement of financial position HK\$'000 | Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position | | Net amount HK\$'000 |
|---|--|--|--|---|-------------------------------------|------------------------|
| | | | | Financial instruments HK\$'000 | Collateral received* HK\$'000 | |
| Financial assets | | | | | | |
| Accounts receivable arising from the business of dealing in securities and margin financing | 270,118 | (105,185) | 164,933 | (2,536) | (122,720) | 39,677 |

As at 31 December 2021

| | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000 | Gross amounts of recognised financial assets presented in the consolidated statement of financial position HK\$'000 | Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position | | Net amount HK\$'000 |
|---|--|--|--|---|-------------------------------------|------------------------|
| | | | | Financial instruments HK\$'000 | Collateral received* HK\$'000 | |
| Financial assets | | | | | | |
| Accounts receivable arising from the business of dealing in securities and margin financing | 318,942 | (157,775) | 161,167 | (3,076) | (119,176) | 38,915 |

* These represents market value of shares pledged by customers, which are capped at the outstanding balances of respective customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

As at 31 December 2022

| | Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000 | Gross amounts of recognised financial liabilities presented in the consolidated statement of financial position HK\$'000 | Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position | | Net amount HK\$'000 |
|--|---|---|---|---|--------------------------------|------------------------|
| | | | | Financial instruments HK\$'000 | Collateral paid HK\$'000 | |
| Financial liabilities | | | | | | |
| Accounts payable arising from the business of dealing in securities | 569,666 | (105,185) | 464,481 | - | - | 464,481 |

As at 31 December 2021

| | Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000 | Gross amounts of recognised financial liabilities presented in the consolidated statement of financial position HK\$'000 | Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position | | Net amount HK\$'000 |
|--|---|---|---|---|--------------------------------|------------------------|
| | | | | Financial instruments HK\$'000 | Collateral paid HK\$'000 | |
| Financial liabilities | | | | | | |
| Accounts payable arising from the business of dealing in securities | 784,597 | (157,775) | 626,822 | - | - | 626,822 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank borrowings HK\$'000 (note 34) | Loan from a related party HK\$'000 (note 35) | Lease liabilities HK\$'000 (note 37) | Total HK\$'000 |
|--|---|---|---|---------------------------|
| At 1 January 2021 | 110,804 | – | 20,112 | 130,916 |
| Financing cash flows: | | | | |
| – Advances from bank borrowings | 21,122,210 | – | – | 21,122,210 |
| – Repayment of bank borrowings | (21,160,014) | – | – | (21,160,014) |
| – Advances from related party | – | 60,000 | – | 60,000 |
| – Repayments of lease liabilities | – | – | (11,209) | (11,209) |
| – Interest paid | (6,407) | – | (751) | (7,158) |
| Renewal of leases | – | – | 10,155 | 10,155 |
| Interest expense | 6,433 | 263 | 751 | 7,447 |
| At 31 December 2021 and 1 January 2022 | 73,026 | 60,263 | 19,058 | 152,347 |
| Financing cash flows: | | | | |
| – Advances from bank borrowings | 45,000 | – | – | 45,000 |
| – Repayment of bank borrowings | (38,000) | – | – | (38,000) |
| – Advances from related party | – | 66,000 | – | 66,000 |
| – Repayments to related party | – | (60,000) | – | (60,000) |
| – Repayments of lease liabilities | – | – | (9,240) | (9,240) |
| – Interest paid | (2,772) | (3,400) | (1,003) | (7,175) |
| Renewal of leases | – | – | 15,051 | 15,051 |
| Interest expense | 2,810 | 3,998 | 1,003 | 7,811 |
| At 31 December 2022 | 80,064 | 66,861 | 24,869 | 171,794 |

Non-cash transaction

During the year, the Group entered into various lease agreements for the use of leased properties for one to three years (2021: one to two years). On the commencement, the Group recognised right-of-use assets of HK\$15,242,000 (2021: HK\$11,006,000) and lease liabilities of HK\$15,051,000 (2021: HK\$10,155,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

43. SHARE OPTION SCHEME

The share option scheme was adopted pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 8 June 2018 (the "Share Option Scheme").

The major terms of the Share Option Scheme are summarised as follows:

- (i) The purpose is to provide incentives to:
 - award and retain the participants who have made contributions to CASH and its subsidiaries and associates, including the Group ("CASH Group"); or
 - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants include any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the CASH Group.
- (iii) The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 26,117,477 (2021: 26,117,477) shares, representing around 10% (2021: 10%) of the issued share capital of the Company as at 31 December 2022. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.
- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Share Option Scheme or any other share option scheme within any 12-months period, must not exceed 1% of the shares in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

43. SHARE OPTION SCHEME (continued)

- (v) There is no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company ("Board") and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the Board of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to the Company.
- (viii) The exercise price of an option must be the highest of:
- the closing price of the shares on the date of grant which day must be a trading day;
 - the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
 - the nominal value of the share.
- (ix) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 7 June 2028.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Share options to the directors, employees and others providing similar services and business consultants, and exercise price are as follows for the reporting periods presented:

| Name | Date of grant | Exercise period | Exercise price (HK\$) | Notes | Number of options ('000) | | | | | As at 31 December 2022 |
|--|---------------|-------------------------|-----------------------|-------|--------------------------|-------------------------|---------------------------|------------------------|--|------------------------|
| | | | | | As at 1 January 2022 | Granted during the year | Exercised during the year | Lapsed during the year | Reallocated upon change of directorate | |
| Directors | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.42 | (a) | 3,712 | - | - | (3,712) | - | - |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (d) | 8,100 | - | - | (900) | (2,400) | 4,800 |
| | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (d) | 900 | - | - | (375) | 600 | 1,125 |
| Employees | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.42 | (a) | 3,928 | - | - | (3,928) | - | - |
| | 29/04/2020 | 01/05/2020 – 30/04/2022 | 0.48 | (c) | 2,472 | - | - | (2,472) | - | - |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (d) | 1,800 | - | - | (1,800) | 2,400 | 2,400 |
| | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (d) | 9,840 | - | - | (5,865) | (600) | 3,375 |
| Individuals providing services similar to employees | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.42 | (a) | 1,602 | - | - | (1,602) | - | - |
| | 04/06/2019 | 04/06/2019 – 03/06/2022 | 1.04 | (b) | 798 | - | - | (798) | - | - |
| | 29/04/2020 | 01/05/2020 – 30/04/2022 | 0.48 | (c) | 2,472 | - | - | (2,472) | - | - |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (d) | 3,810 | - | - | - | - | 3,810 |
| Business consultants | 04/06/2019 | 04/06/2019 – 03/06/2022 | 1.04 | (b) | 1,992 | - | - | (1,992) | - | - |
| | | | | | 41,426 | - | - | (25,916) | - | 15,510 |
| Exercisable as at 31 December 2022 | | | | | | | | | | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

43. SHARE OPTION SCHEME (continued)

| Name | Date of grant | Exercise period | Exercise price (HK\$) | Notes | Number of options ('000) | | | | Adjustment for shares consolidation | As at 31 December 2021 |
|---|---------------|-------------------------|-----------------------|-------|--------------------------|-------------------------|---------------------------|------------------------|-------------------------------------|------------------------|
| | | | | | As at 1 January 2021 | Granted during the year | Exercised during the year | Lapsed during the year | | |
| Directors | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.42 | (a) | 4,950 | - | - | (1,238) | - | 3,712 |
| | 29/04/2020 | 01/05/2020 – 30/04/2022 | 0.48 | (c) | 9,888 | - | (9,888) | - | - | - |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (d) | - | 8,100 | - | - | - | 8,100 |
| | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (d) | - | 900 | - | - | - | 900 |
| Employees | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.42 | (a) | 5,688 | - | - | (1,760) | - | 3,928 |
| | 29/04/2020 | 01/05/2020 – 30/04/2022 | 0.48 | (c) | 8,664 | - | (6,192) | - | - | 2,472 |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (d) | - | 1,800 | - | - | - | 1,800 |
| | 29/07/2021 | 01/08/2021 – 31/07/2025 | 0.572 | (d) | - | 10,140 | - | (300) | - | 9,840 |
| Individuals providing services similar to employees | 29/03/2019 | 01/05/2019 – 30/04/2022 | 1.42 | (a) | 2,136 | - | - | (534) | - | 1,602 |
| | 04/06/2019 | 04/06/2019 – 03/06/2022 | 1.04 | (b) | 798 | - | - | - | - | 798 |
| | 29/04/2020 | 01/05/2020 – 30/04/2022 | 0.48 | (c) | 4,944 | - | (2,472) | - | - | 2,472 |
| | 29/07/2021 | 01/08/2021 – 31/07/2023 | 0.572 | (d) | - | 3,810 | - | - | - | 3,810 |
| Business consultants | 04/06/2019 | 04/06/2019 – 03/06/2022 | 1.04 | (b) | 1,992 | - | - | - | - | 1,992 |
| | | | | | 39,060 | 24,750 | (18,552) | (3,832) | - | 41,426 |
| Exercisable as at 31 December 2021 | | | | | | | | | 4,944 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

43. SHARE OPTION SCHEME (continued)

Notes:

- (a) During the year ended 31 December 2019, a total of 440,000,000 options were granted to directors, employees and individuals providing services similar to employees of the Group and the granting of the options are subject to the achievement of performance targets determined at the sole discretion of the Board for the financial years ended 31 December 2019 to 2022. The number of share options issued was adjusted to 22,000,000 after the share consolidation on 7 September 2020. As at 31 December 2022, 1,687,000 options (2021: 3,532,000 options) lapsed before vesting as the relevant employees resigned from the Group and 7,555,000 options (2021: Nil) lapsed before vesting as the relevant options were expired. At 31 December 2022 and 31 December 2021, the performance targets have not been achieved or do not expect to be achieved by the directors and employees and there was no satisfactory delivery of services to the Group by other service providers, thus no share-based compensation expense was recognised in the consolidated financial statements.
- (b) During the year ended 31 December 2019, the Group entered into arrangement with individuals providing services similar to employees and business consultants in respect of 56,000,000 options on 4 June 2019 for the provision of satisfactory services to the Group up to 31 December 2022. The individuals providing services similar to employees and business consultants will be entitled to the options upon the satisfactory delivery of services to the Group determined at the sole discretion of the Board. The options must be exercised within one month from the date the Board approves the entitlement of the options. The number of share options issued was adjusted to 2,790,000 after the share consolidation on 7 September 2020. As at 31 December 2022, 2,790,000 options (2021: Nil) lapsed before vesting as the relevant options expired. At 31 December 2022 and 31 December 2021, there was no satisfactory delivery of services to the Group and thus no share-based compensation expense was recognised in the consolidated financial statements.
- (c) During the year ended 31 December 2020, a total of 494,500,000 options were granted to directors, employees and others providing similar services of the Group and the granting of the options are subject to the achievement of certain targets during the financial years ended 31 December 2020 which were fully vested. The number of share options issued was adjusted to 24,696,000 after the share consolidation on 7 September 2020, of which 18,552,000 share options granted to directors and employees and others providing similar services were exercised during the year ended 31 December 2021. The weighted average share price at the date of exercise was HK\$0.69. Included in the number of share options outstanding as at 31 December 2021, 4,944,000 options are exercisable from 1 May 2020 to 30 April 2022. These options expired during the year ended 31 December 2022 and HK\$990,000 has been transferred from the share-based payment reserve to retained earnings. No share-based compensation expenses have been recognised in profit or loss for the year ended 31 December 2022 and 2021. As at 31 December 2022, 4,944,000 options (2021: Nil) lapsed after vesting as the relevant employees resigned from the Group. At 31 December 2020, the relevant targets have been achieved and share-based compensation expense was recognised in the consolidated financial statements.
- (d) During the year ended 31 December 2021, a total of 24,750,000 options were granted to directors, employees and individuals providing services similar to employees of the Group and the granting of the options are subject to the achievement of certain targets during the financial years ended 31 December 2021 to 2023 and 2025. As at 31 December 2022, 8,940,000 options (2021: 300,000 options) lapsed before vesting as the relevant employees resigned from the Group. At 31 December 2022 and 31 December 2021, there was no satisfactory delivery of services to the Group and thus no share-based compensation expense was recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

43. SHARE OPTION SCHEME (continued)

The Black–Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The fair value of share options granted on 29 July 2021 has been calculated using the Black–Scholes option pricing model. The estimated fair value of these share options calculated by the Black–Scholes option pricing model was HK\$7,063,000.

The inputs into the Black–Scholes Option Pricing Model were as follows:

| | |
|---|---------------------|
| Weighted average share price at the date of issue | HK\$0.570 |
| Exercise price | HK\$0.572 |
| Average expected volatility (%) | 80.0 |
| Expected life (years) | 2 years and 4 years |
| Average risk-free rate (%) | 1.0 |
| Dividend yield (%) | 0 |

44. SHARE AWARD SCHEME

On 1 December 2022 ("Adoption Date"), the Board adopted a 10-year share award scheme (the "Share Award Scheme") to incentivise selected employees or directors for their contributions to the Group and to attract suitable personnel for further development of the Group.

The major terms of the Share Award Scheme are summarized as follows:

- (i) The purpose and objectives of the Share Award Scheme are:
 - to recognise and motivate the contributions by certain eligible participants and to give incentives thereto in order to retain them for the continual operation and development of any member of the CASH Group;
 - to attract suitable professional personnel beneficial for further growth of any member of the CASH Group; and
 - to provide certain eligible participants with a direct economic interest in attaining a long-term relationship between any member of the CASH Group and such eligible participants.
- (ii) The Share Award Scheme shall be subject to the administration of the Board. The Board may appoint any one or more senior management of the Company as authorised representative(s) to give instructions or notices to the trustee on all matters in connection with the Share Award Scheme and other matters in the routine administration of the trust. The trustee will hold the Shares and the income derived therefrom in accordance with the rules of the Share Award Scheme and subject to the terms of the trust deed.
- (iii) The eligible participants include any employees (whether full time or part time) of any member of the CASH Group; any non-executive director of any member of the CASH Group; any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the CASH Group; any agent, contractor, client or supplier of any member of the CASH Group; and any other group or classes of participants who, in the sole opinion of the Board, will contribute or have contributed to any member of the CASH Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

44. SHARE AWARD SCHEME (continued)

- (iv) The Board shall not make any further grant of award of Shares under the Share Award Scheme such that the total number of Shares granted under the Share Award Scheme (excluding any awards which have lapsed or been cancelled in accordance with the Share Award Scheme) will exceed 10% of the total number of issued Shares as of the Adoption Date, i.e. 26,117,477 Shares.

There is no maximum entitlement of each participant.

If the relevant purchase would result in the trustee holding in aggregate more than 10% of the total number of issued Shares as of the Adoption Date, the trustee shall not purchase any further Shares.

- (v) A selected participant shall be entitled to receive the awarded Shares held by the trustee in accordance with the vesting schedule when the selected participant has satisfied all vesting conditions specified by the Board at the time of making the award. Vesting of the Shares will be conditional on the selected participant remaining an eligible participant until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the trustee.
- (vi) The Board or the authorised representative(s) shall notify the selected participant in writing within 10 business days (or such other day as the Board may otherwise determine) after an award has been provisionally made to such selected participant and the notice shall contain substantially the same information as that set out in the award notice. An award shall be deemed to be irrevocably accepted by a selected participant unless the selected participant shall within 5 business days after receipt of such notice from the Board or the authorised representative(s) notify the Company in writing that he would decline to accept such award.
- (vii) Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date and shall expire on 30 November 2032.
- (viii) The trustee shall not exercise the voting rights in respect of any Shares held under the trust (including but not limited to the awarded Shares, further Shares acquired out of the income derived therefrom, the returned Shares, any bonus Shares and scrip Shares).
- (ix) The total number of Shares available for grant under the Share Award Scheme is 26,117,477 shares, representing approximately 10% of the issued Shares as at the date of this annual report.

During the year ended 31 December 2022, no shares were purchased by the trustee. As at 31 December 2022, no shares were held by the trustee.

Further details of the Share Award Scheme were disclosed in the Company's announcement dated 1 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

| | Notes | 2022 HK\$'000 | 2021 HK\$'000 |
|---|-------|------------------|------------------|
| Commission income from Cashflow Credit Limited | (c) | 117 | 1 |
| Interest income from Cashflow Credit Limited | (c) | 8 | 14 |
| Commission income received from the following directors of the Company: | | | |
| Dr Kwan Pak Hoo Bankee | | 39 | – |
| Mr Li Shing Wai Lewis | (b) | 1 | 1 |
| Mr Kwan Teng Hin Jeffrey | | 1 | 5 |
| Mr Kwok Ka Lok Lionel | (b) | 1 | 33 |
| Mr Cheung Wai Lim William | (d) | 29 | 19 |
| Mr Ng Hin Sing Derek | (e) | N/A | 2 |
| Mr Law Hin Ong Trevor | (a) | 5 | N/A |
| | | 76 | 60 |
| Interest income received from the following directors of the Company: | | | |
| Dr Kwan Pak Hoo Bankee | | 69 | 80 |
| Mr Li Shing Wai Lewis | (b) | 29 | 175 |
| Mr Kwan Teng Hin Jeffrey | | 29 | 110 |
| Mr Kwok Ka Lok Lionel | (b) | 20 | 125 |
| Mr Cheung Wai Lim William | (d) | 25 | 140 |
| Mr Ng Hin Sing Derek | (e) | N/A | 18 |
| Mr Law Hin Ong Trevor | (a) | 56 | N/A |
| | | 228 | 648 |
| Interest expense payable to a company owned by | | | |
| Dr Kwan Pak Hoo Bankee | | 861 | 263 |

Notes:

- (a) During the year ended 31 December 2022, Mr Law Hin Ong Trevor was appointed as executive director and deputy chief financial officer of the Company.
- (b) Mr Li Shing Wai Lewis resigned as executive director of the Company during the year ended 31 December 2022.
- (c) Cashflow Credit Limited is a subsidiary of CASH, the substantial shareholder of the Company.
- (d) During the year ended 31 December 2021, Mr Cheung Wai Lim William was appointed as executive director of the Company.
- (e) Mr Ng Hin Sing Derek resigned as executive director of the Company during the year ended 31 December 2021.

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 11.

The remuneration of directors is determined by the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

46. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the respective reporting period are set out below:

| Name | Place of incorporation/ operation | Paid up issued share capital | Proportion of issued share capital held by the Company | | | | Principal activities |
|--|--------------------------------------|---------------------------------|--|---------------------------|-------------------------|---------------------------|---|
| | | | 2022 | | 2021 | | |
| | | | Direct interest % | Indirect interest % | Direct interest % | Indirect interest % | |
| CASH Asset Management Limited | Hong Kong | Ordinary HK\$10,000,000 | – | 100 | – | 100 | Provision of asset management services |
| CASH Wealth Management Limited | Hong Kong | Ordinary HK\$15,000,000 | – | 100 | – | 100 | Financial advisory consultancy |
| CASH Payment Services Limited | Hong Kong | Ordinary HK\$2 | – | 100 | – | 100 | Provision of payment gateway services |
| Celestial Asset Management Limited | Hong Kong | Ordinary HK\$6,781,401 | – | 100 | – | 100 | Provision of treasury management functions and investment holding and trading |
| Celestial Capital Limited | Hong Kong | Ordinary HK\$30,000,000 | – | 100 | – | 100 | Inactive (2021: provision of corporate finance, investment and financial advisory services [#]) |
| Celestial Finance Limited | Hong Kong | Ordinary HK\$121,000,002 | – | 100 | – | 100 | Money lending |
| Celestial Commodities Limited | Hong Kong | Ordinary HK\$50,000,000 | – | 100 | – | 100 | Brokerage of futures and options |
| Celestial Securities Limited | Hong Kong | Ordinary HK\$140,000,000 | – | 100 | – | 100 | Brokerage of securities and equity options |
| CASH Trinity Buillion Limited | Hong Kong | Ordinary HK\$2 | – | 100 | – | 100 | Investment holding and trading |
| CASH Family Office Company Limited | Hong Kong | Ordinary HK\$100 | – | 51 | – | 100 | Investment holding and trading |
| Victory Glory Investments Limited | Hong Kong | Ordinary HK\$1 | – | 100 | – | 100 | Investment trading |
| Think Right Investments Limited | British Virgin Islands | Ordinary US\$1 | – | 100 | – | 100 | Properties holding |
| Celestial Financial Services Limited | British Virgin Islands | Ordinary US\$10,000 | 100 | – | 100 | – | Investment holding |
| CASH Mobile Financial Services Limited | Hong Kong | Ordinary HK\$10,000,000 | – | 100 | – | 100 | Provision of management services for group companies |
| Celestial (China) Asset Management Limited | British Virgin Islands | Ordinary US\$500,000 | – | 100 | – | 100 | Investment holding |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

46. SUBSIDIARIES (continued)

| Name | Place of incorporation/ operation | Paid up issued share capital | Proportion of issued share capital held by the Company | | | | Principal activities |
|--|--------------------------------------|--|--|---------------------------|-------------------------|---------------------------|----------------------------------|
| | | | 2022 | | 2021 | | |
| | | | Direct interest % | Indirect interest % | Direct interest % | Indirect interest % | |
| Weever FinTech Limited | Hong Kong | Ordinary HK\$48,500,000 | – | 76.1 | – | 76.1 | Brokerage of cryptocurrencies |
| Libra Capital Manager Limited | British Virgin Islands | Ordinary US\$3 | – | 100 | – | 100 | Investment holding |
| CFSG China Investment Limited | British Virgin Islands | Ordinary US\$1 | – | 100 | – | 100 | Investment holding |
| Golden Riverside Industrial Limited | Hong Kong | Ordinary HK\$102 | – | 100 | – | 100 | Investment holding |
| CFSG FinTech Group Limited | British Virgin Islands | Ordinary US\$1 | 100 | – | 100 | – | Investment holding |
| 上海懿睿股權投資基金管理 有限公司(translated as Shanghai Yirui Equity Investment Fund Management Company Limited) ("Shanghai Yirui")* | PRC | Ordinary RMB10,000,000 | – | 100 | – | 100 | Investment holding |
| CASH Prime Value Equity OFC ^ | Hong Kong | Redeemable participating shares 14,016.80 units | – | 99.8 | – | – | Investment holding |

* Shanghai Yirui is a limited liability company established in the PRC. Shanghai Yirui is indirectly held by the Company through contractual arrangements by the registered owners, being Ms Wei Li (holder of 95% of the equity interests) and Ms Mao Jie (holder of 5% of the equity interests), of Shanghai Yirui.

The business was ceased during the year ended 31 December 2021.

^ CASH Prime Value Equity OFC is a consolidated structured entity under the Group.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

Except for CASH Prime Value Equity OFC, none of the subsidiaries had issued any debt securities at the end of the year. During the year ended 31 December 2022, CASH Prime Value Equity OFC issued redeemable participating shares of HK\$813,000, which were substantially redeemed as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

47. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated two structured entities including investment funds. For the investment funds where the Group involves as general partner and also as investors holding substantial shares which makes the Group has control over these structured entities.

As at 31 December 2022, the total assets and total liabilities of the consolidated investment funds, were HK\$16,319,000 and HK\$2,087,000. The interests of these entities are substantially held by the Group as at 31 December 2022.

48. RETIREMENT BENEFITS SCHEMES

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of the mandatory contribution amount was HK\$1,500 per employee per month. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited voluntary contributions. None of the forfeited contributions was utilised in this manner for the year ended 31 December 2022 and 2021.

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 12%, 22%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

The employer's contributions to the MPF Scheme and various benefits schemes in the PRC are disclosed separately in notes 10, 11 and 12.

Defined benefit plan

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) \times 2/3 \times Years of service

Last monthly wages are capped at HK\$22,500 while the amount of long service payment shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement").

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the Hong Kong SAR Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date.

The Group's LSP obligation, taking into consideration of the Offsetting Arrangement, is considered to be insignificant and no provision has been recognised as at 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

49. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Non-current assets | | |
| Unlisted investments in subsidiaries | 22,410 | 59,779 |
| Amounts due from subsidiaries | 447,184 | 456,023 |
| | 469,594 | 515,802 |
| Current asset | | |
| Bank balances (general accounts) | 398 | 6,150 |
| | 398 | 6,150 |
| Current liabilities | | |
| Accrued liabilities and other payables | 734 | 733 |
| Amounts due to subsidiaries | 171,773 | 186,720 |
| | 172,507 | 187,453 |
| Net current liabilities | (172,109) | (181,303) |
| Non-current liability | | |
| Loan from a related party | 66,861 | 60,263 |
| Net assets | 230,624 | 274,236 |
| Capital and reserves | | |
| Share capital | 10,447 | 104,470 |
| Reserves | 220,177 | 169,766 |
| Total equity | 230,624 | 274,236 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

49. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (continued)

(b) Reserves movement of the Company

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Share-based payment reserve HK\$'000 | (Accumulated losses) retained earnings HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------------|---|---|-------------------|
| At 1 January 2021 | 604,132 | 80 | 4,698 | (344,649) | 264,261 |
| Loss and total comprehensive expense for the year | – | – | – | (95,980) | (95,980) |
| Shares issued upon exercise of share options | 5,193 | – | (3,708) | – | 1,485 |
| At 31 December 2021 | 609,325 | 80 | 990 | (440,629) | 169,766 |
| Loss and total comprehensive expense for the year | – | – | – | (43,612) | (43,612) |
| Capital reorganisation | (600,000) | – | – | 694,023 | 94,023 |
| Share options lapsed | – | – | (990) | 990 | – |
| At 31 December 2022 | 9,325 | 80 | – | 210,772 | 220,177 |

50. EVENT AFTER THE REPORTING DATE

On 19 December 2022, the Company has announced that the Group has agreed to acquire 51% equity interest of CASH Algo Finance Group International Limited from Confident Profits Limited, an indirect wholly-owned subsidiary of Celestial Asia Securities Holdings Limited at the consideration of HK\$61 million, which comprised of HK\$10 million in cash and HK\$51 million by the issue of the new shares. As at the date of this report, the transaction has not yet been completed.

APPENDIX – FIVE-YEAR FINANCIAL SUMMARY

RESULTS

| | Year ended 31 December | | | | |
|---------------------------|------------------------|------------------|------------------|------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Revenue | 68,792 | 96,863 | 103,688 | 107,492 | 123,445 |
| Loss before taxation | (69,798) | (53,510) | (39,141) | (116,890) | (144,470) |
| Taxation credit (charge) | – | 40 | – | – | – |
| Loss for the year | (69,798) | (53,470) | (39,141) | (116,890) | (144,470) |
| Attributable to: | | | | | |
| Owners of the Company | (69,798) | (53,470) | (39,178) | (114,048) | (144,132) |
| Non-controlling interests | – | – | 37 | (2,842) | (338) |
| | (69,798) | (53,470) | (39,141) | (116,890) | (144,470) |

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 December | | | | |
|---------------------------|-------------------|------------------|------------------|------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Property and equipment | 27,875 | 22,930 | 16,430 | 21,748 | 9,246 |
| Intangible assets | 9,092 | 9,092 | 9,092 | 9,092 | 9,092 |
| Other non-current assets | 37,231 | 44,159 | 60,056 | 85,560 | 50,617 |
| Current assets | 978,935 | 1,219,396 | 1,382,890 | 1,387,207 | 1,680,992 |
| Total assets | 1,053,133 | 1,295,577 | 1,468,468 | 1,503,607 | 1,749,947 |
| Current liabilities | 698,057 | 814,301 | 1,004,135 | 980,493 | 1,122,106 |
| Non-current liabilities | 16,218 | 68,908 | 10,453 | 19,316 | 3,932 |
| Total liabilities | 714,275 | 883,209 | 1,014,588 | 999,809 | 1,126,038 |
| Net assets | 338,858 | 412,368 | 453,880 | 503,798 | 623,909 |
| Non-controlling interests | 8,538 | 8,538 | 8,538 | 8,501 | 11,343 |

Note: In 2019, the Group has applied HKFRS 16 that is effective for accounting periods beginning on or after 1 January 2019 without restating comparatives. Accordingly, the corresponding comparative amounts in 2018 are not comparable with amounts shown for 2022, 2021, 2020 and 2019.

DEFINITIONS

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

| | |
|--------------------------|---|
| “AGM(s)” | the annual general meeting(s) of the Company |
| “Audit Committee” | the audit committee of the Company established pursuant to the CG Code of the Listing Rules |
| “Board” | the board of Directors |
| “CASH” | Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board. It is the holding company of the Company indirectly held through CIGL |
| “CASH Asset Management” | CASH Asset Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 9 (asset management) regulated activity |
| “CASH Group” | CASH and its subsidiaries, including the Group |
| “Cash Guardian” | Cash Guardian Limited, a company incorporated in the British Virgin Islands with limited liability, is the substantial shareholder of CASH and an associate of Dr Kwan Pak Hoo Bankee |
| “CASH Wealth Management” | CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities |
| “Celestial Commodities” | Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity |
| “Celestial Securities” | Celestial Securities Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity |
| “CEO” | the chief executive officer of the Company |
| “CFO” | the chief financial officer of the Company |
| “CG Code” | the Corporate Governance Code as contained in Appendix 14 of the Listing Rules |
| “CIGL” | Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, is an indirect wholly-owned subsidiary of CASH. It is the holding company of the Company |
| “Company” or “CFSG” | CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board. It is a 60.49% – owned listed subsidiary of CASH |

DEFINITIONS

| | |
|--------------------------|--|
| “Company Secretary” | the company secretary of the Company |
| “COO” | the chief operating officer of the Company |
| “Director(s)” | the directors of the Company |
| “ED(s)” | the executive Director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “INED(s)” | the independent non-executive Director(s) of the Company |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Main Board” | the main board of the Stock Exchange |
| “Management” | the management team of the Company |
| “Model Code” | the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules |
| “NED(s)” | the non-executive Director(s) of the Company |
| “Nomination Committee” | the nomination committee of the Company established pursuant to the CG Code of the Listing Rules |
| “Remuneration Committee” | the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules |
| “SFC” | the Hong Kong Securities and Futures Commission |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM(s)” | the special general meeting(s) of the Company |
| “Share(s)” | ordinary shares of HK\$0.04 each in the share capital of the Company |
| “Share Option Scheme” | the existing share option scheme of the Company adopted by the Company pursuant to an ordinary resolution passed at an AGM held on 8 June 2018 |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

DEFINITIONS

| | |
|------------------------|--|
| "HK\$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Hong Kong" or "HKSAR" | the Hong Kong Special Administrative Region of the PRC |
| "PRC" | the People's Republic of China |
| "UK" | United Kingdom |
| "US" | United States |

If there is any inconsistency in this report between the Chinese and English versions, the English version shall prevail.



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