未來發展控股有限公司

Prosperous Future Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1259

2022

ANNUAL REPORT

CONTENTS

This annual report, in both English and Chinese versions, is available on the Company's website at www.pfh.hk.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "Corporate Communications").

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Company's Branch Share Registrar and Transfer Office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. Shareholders who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this annual report since both languages are bound together into one booklet.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Lau Ka Ho *(Chief Executive Officer)*
Mr. Chan Hoi Tik *(Chief Financial Officer)*
Mr. Fok King Man Ronald *(Chief Investment Officer)*
(resigned on 15 July 2022)

Non-executive Directors
Mr. Li Zhouxin (resigned on 30 November 2022)
Mr. Sze Wine Him Jaime

Independent Non-executive Directors
Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

BOARD COMMITTEES

Audit Committee
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Nomination Committee
Ms. Chan Sze Man *(Chairman)*
Ms. Bu Yanan
Mr. Lau Ka Ho

Remuneration Committee
Mr. Ma Kwun Yung Stephen *(Chairman)*
Mr. Lau Ka Ho
Ms. Chan Sze Man

Executive Committee
Mr. Lau Ka Ho *(Chairman)*
Mr. Chan Hoi Tik
Mr. Fok King Man Ronald
(appointment ceased on 15 July 2022)

Investment and Credit Committee
Mr. Lau Ka Ho *(Chairman)*
Mr. Chan Hoi Tik (appointed on 15 July 2022)
Mr. Fok King Man Ronald
(appointment ceased on 15 July 2022)

COMPANY SECRETARY

Mr. Li Kin Ping

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
Bank of Communications Limited – Hong Kong Branch
Bank of China (Hong Kong) Limited

STOCK CODE

1259

COMPANY WEBSITE

www.pfh.hk

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F., Fung House,
Nos. 19-20 Connaught Road Central, Central,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Prosperous Future Holdings Limited (the "Company", together with its subsidiaries, the "Group", stock code: 1259.HK), I would like to extend my sincere gratitude to all shareholders and all sectors of the community for your constant support, and present the financial results and operating performance of the Group for the year ended 31 December 2022 (the "Reporting Period") to the shareholders.

During the Reporting Period, the Group disposed certain subsidiaries that were engaged in manufacturing and sale of personal care products, compliance advisory services as well as finance leasing and factoring, which have been presented as discontinued operations in the consolidated financial statements. The revenue of the Group's continuing operations was approximately HK$509.4 million, representing a decrease of approximately 15.5% from HK$602.7 million for the year ended 31 December 2021. Loss attributable to equity holders of the Company amounted to approximately HK$88.9 million as compared to loss of HK$104.9 million for the corresponding period in 2021; basic loss per share attributable to equity holders of the Company was HK$3.9 cents as compared to basic loss per share of HK$5.1 cents for the corresponding period in 2021.

Looking forward in 2023, the Group will adhere to its strategy of strengthening and diversifying its business portfolio in a sustainable manner. In light of the slow recovery following the prolonged outbreak of the COVID-19 pandemic, the on-going geopolitical conflicts and rising global inflation, the Group will continue to evaluate its existing businesses' performance and to adopt a prudent approach for the development of its businesses, including provision of food and beverage services, provision of financial business, properties holding, provision of temperature-controlled storage and ancillary services and investment holding. With Hong Kong's unique advantage as serving a bridge for businesses between China and the rest of the world, the Group will keep on exploring opportunities to further expand its investments in financial business.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all of our employees and the management for their hard work and contribution in the past year. I would also like to extend my appreciation again to all our shareholders for your support, as well as your kind understanding and recognition of the Group's future development plan.

Prosperous Future Holdings Limited
Mr. Lau Ka Ho
Chief Executive Officer

24 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activity of Prosperous Future Holdings Limited (the "Company") is investment holding. The subsidiaries are principally engaged in the provision of food and beverage services, provision of financial business, properties holding, provision of temperature-controlled storage and ancillary services and investment holding.

During the year, the Group disposed certain subsidiaries that were engaged in manufacturing and sale of personal care products, compliance advisory services as well as finance leasing and factoring, which have been presented as discontinued operations.

BUSINESS REVIEW

Continuing Operations

Provision of Food and Beverage Services

During the Reporting Period, the Group's business segment of provision of food and beverage services business contributed a total revenue of approximately HK$429.5 million to the Group, representing a decrease of about 13.6% over the last year (31 December 2021: approximately HK$497.4 million). The decrease in turnover was mainly due to our strategy to refocus on sales of high margin products in response to the increasingly competitive frozen meat consumption market in Hong Kong.

The total gross profit for provision of food and beverage services was approximately HK$49.4 million for the Reporting Period, representing a decrease of approximately HK$1.8 million as compared with approximately HK$51.2 million for the year ended 31 December 2021. The decrease in gross profit was mainly due to increased procurement costs. Such increases in procurement costs were mostly absorbed by the Group since the competition of consumption market of frozen food was still stiff during the year. Gross profit margin increased to approximately 11.5%, representing an increase of approximately 1.2% compared with last year. The increase in gross profit margin is mainly attributable to better sales mix as a result of higher sales proportion in high margin products.

The provision of food and beverage services business recorded a segment profit of approximately HK$6.0 million during the Reporting Period (31 December 2021: approximately HK$10.5 million). The decrease in profit was mainly due to lower gross profit as described above, increased storage and logistic costs under the impact of global supply chain disruption as well as impairment loss on trade receivables based on the expected credit loss assessment.

Provision of Financial Business

The Group's business segment of provision of financial business includes securities investment, provision of professional services, provision of dealing in securities and futures contracts, margin financing, advising on securities and asset management services, and money lending.

During the Reporting Period, the Group's business segment of provision of financial business contributed a total revenue of approximately HK$69.0 million to the Group (31 December 2021: approximately HK$94.0 million), representing a year-on-year decrease of approximately 26.6%.

The provision of financial business recorded a loss of approximately HK$8.6 million (31 December 2021: profit of approximately HK$26.3 million).

– Securities Investment Business

The Group's securities investment includes investment in listed securities and private unlisted funds for long-term purposes which are classified as financial assets at fair value through other comprehensive income along with other unlisted investments which are classified as financial assets at fair value through profit or loss.

For the Reporting Period, this business recorded net fair value losses on financial assets at fair value through profit or loss of approximately HK$20.2 million (31 December 2021: net fair value losses of approximately HK$1.2 million) due to the volatility of global stock markets. Investors were concerned about the uncertainty brought by prolonged geopolitical conflicts between Russia and Ukraine, the soaring inflation figures recorded by the Western countries and the hiking interest rates led by United States Federal Reserve and European Central Bank in 2022. A global economic slowdown, if not recession, is much anticipated to occur in 2023. Our securities investment was adversely affected due to such investors' pessimistic sentiment.

As at 31 December 2022, the Group had a portfolio of securities investment of approximately HK$17.5 million, which consisted of equity securities listed in Hong Kong of approximately HK$2.8 million and unlisted investment funds of approximately HK$14.7 million.

The securities investment business recorded a loss of approximately HK$20.3 million (31 December 2021: approximately HK$3.1 million) due to the volatility of global stock market.

– Securities Brokerage, Margin Financing, Asset Management and Professional Services Business

Through our principal subsidiaries namely Future Growth Financial Services Limited, a company licensed to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and Future Growth Asset Management Limited, a company licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, the Group is engaged in provision of securities brokerage, margin financing and advising on securities, and asset management services in Hong Kong. In addition, we provide fund set up and administration, and other relevant professional services through Ayasa Globo Financial Services (BVI) Limited and its subsidiaries.

In the first quarter of 2022, the Group successfully expanded its range of financial business to securities margin financing targeted on both individuals and corporations customers.

For the Reporting Period, the securities brokerage, margin financing, asset management and professional services business recorded a total turnover of approximately HK$87.7 million (31 December 2021: approximately HK$90.1 million) due to soft demand for professional consultancy services, which is largely offset by interest income derived from securities margin financing of which commenced in the first quarter of 2022.

The securities brokerage, margin financing, asset management and professional services business recorded a total profit of approximately HK$19.1 million during the Reporting Period (31 December 2021: approximately HK$27.5 million).

As at 31 December 2022, the gross value of outstanding trade receivables arising from margin financing is approximately HK$46.1 million with interest rate of approximately 8.0% – 18.0% per annum and repayment on demand. Those trade receivables were secured by underlying equity securities amounted to approximately HK$375.4 million as at the year end. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

The Group's trade receivables from margin financing were concentrated, in which approximately 48.7% (approximately HK$22.4 million) and 100% (approximately HK$46.1 million) of such receivables were due from the largest borrower and the top three borrowers, respectively.

No impairment loss on margin loan receivables was provided during the Reporting Period (31 December 2021: nil).

Details of the credit risk management and key internal controls related to our margin financing business are set out in the paragraphs headed "D. RISK MANAGEMENT AND INTERNAL CONTROLS" under the section headed "Corporate Governance Report" in this annual report.

The Group will continue to provide tailor-made financial solutions and professional services in connection with financial products and funds to our clients in future.

– Money Lending Business

The Group's money lending business consists of granting of loans to a variety of customers, including both individuals and corporations, and is conducted primarily through its indirectly wholly-owned subsidiary, PFH Finance Limited ("PFH Finance"), which is a money lender licenced in Hong Kong under the provisions of the Money Lenders Ordinance. The Group strives to adhere to a set of comprehensive policy and procedural manual in respect of loan approval, loan renewal, loan recovery, loan compliance, monitoring and anti-money laundering and counter-terrorist financing. The source of funds of PFH Finance is mainly from the Group's internal funds.

PFH Finance's main source of potential borrowers were referrals from existing customers, employees or business partners.

Details of the credit risk management and key internal controls related to our money lending business are set out in the paragraph headed "D. RISK MANAGEMENT AND INTERNAL CONTROLS" under the section headed "Corporate Governance Report" in this annual report.

The Group's money lending business recorded a turnover of approximately HK$1.5 million (31 December 2021: approximately HK$5.1 million) due to the Group's business strategy to reposition our money lending business and allocate more capital to other areas with promising prospect.

As at 31 December 2022, the Group has a total loan and interest receivables of approximately HK$2.5 million, which consisted of 8 outstanding unsecured loans with average effective interest rate of approximately 20.9% per annum with terms ranging from 12 months to 120 months (the "Outstanding Loans"). All Outstanding Loans were granted to independent third parties of the Company.

The Group's loan and interest receivables were concentrated, in which approximately 47.7% (approximately HK$4.1 million) and 96.6% (approximately HK$8.2 million) of such receivables were due from the largest borrower and the top five borrowers, respectively.

When the Group discovers that a borrower has become bankrupt, the Group will fully write off the loan and interest receivables of that borrower. No loan and interest receivables were written off during the year ended 31 December 2022.

The Group accounts for its credit risk by providing for expected credit losses on a timely basis where appropriate. In computing the rate for the expected credit loss, the Group takes into account of the historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data. A reversal of impairment loss on loan and interest receivables of approximately HK$1.7 million was recognised during the year ended 31 December 2022 mainly due to the overall decrease in loan and interest receivables in the same period as there were more repayments made during the year than loans granted.

None of the Outstanding Loans constituted notifiable and/or connected transactions of the Company under Chapter 14 and/or 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") at the time of granting the Outstanding Loans to the respective borrowers.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is:

i) in the past twelve months from the grant of each loan, no material loan arrangement between (a) the borrowers (if it is a corporation, and its directors and ultimate beneficial owners) and (b) the Company and its connected person as defined in the Listing Rules;

ii) no relationship and/or arrangement among the borrowers (if it is a corporation, and its ultimate beneficial owners), the Company and its connected person as defined in the Listing Rules; and

iii) no agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) between the Company and its connected person as defined in the Listing Rules with respect to the grant of the Outstanding Loans to the respective borrowers.

A reversal of impairment loss on loan and interest receivables of approximately HK$1.7 million was recognised during the year ended 31 December 2022 mainly due to the overall decrease in loan and interest receivables in the same period as there were more repayments made during the year than interest derived.

The provision of money lending business recorded a loss of approximately HK$7.4 million (31 December 2021: profit of approximately HK$1.9 million). The turnaround from profit to loss was primarily due to the additional staff cost incurred which resulted from increase in headcount for reformulating business strategy and new business development for our money lending business.

Properties Holding

During the Reporting Period, the Group did not record any revenue from the business segment of properties holding business (31 December 2021: nil).

On 27 June 2022, 18 July 2022 and 22 September 2022, Nice Source Properties Limited, an indirect wholly-owned subsidiary of the Company, as the vendor, entered into first sale and purchase agreement (the "First SPA"), second sale and purchase agreement (the "Second SPA") and the third sale and purchase agreement (the "Third SPA") respectively, with Eternity Development Limited, as purchaser, to dispose of seven separate lots of an industrial property located Workshop C6 on G/F of Block C, Hong Kong Industrial Centre, Nos. 489-491 Castle Peak Road, Kowloon, Hong Kong, for an aggregated consideration of HK$23,200,000. The transactions contemplated under the First SPA (the "First Disposal"), Second SPA (the "Second Disposal") and Third SPA (the "Third Disposal", together with the First Disposal and Second Disposal, the "Disposals") were completed on 27 July 2022, 19 August 2022, and 22 December 2022 respectively. As the highest applicable percentage ratio in respect of the Disposals on an aggregated basis exceeds 5% but is lower than 25%, the Disposals constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details of the Disposals, please refer to the Company's announcement dated 22 September 2022.

The properties holding business recorded a segment loss of approximately HK$35.2 million (31 December 2021: approximately HK$12.9 million).

An impairment loss on properties for development of approximately HK$25.8 million was provided during the Reporting Period (31 December 2021: approximately HK$3.7 million).

The loss on change in fair value of investment properties of approximately HK$7.1 million was provided during the Reporting Period (31 December 2021: approximately HK$7.8 million).

Others

The segment mainly represents the provision of temperature-controlled storage and ancillary services business. During the Reporting Period, the segment contributed a total revenue of approximately HK$10.8 million to the Group, representing a decrease of about 4.1% over the same period of last year (31 December 2021: approximately HK$11.3 million). The decline in revenue is due to decrease in the market demand in provision of temperature-controlled storage and ancillary services. Some of our major customers lowered their stockpile of storage goods in response to COVID-19 pandemic as compared with the same period of last year, resulting in a decrease in demand over our provision of temperature-controlled storage and ancillary services. A loss of approximately HK$6.2 million was posted, representing a year-on-year increase of 175.0% (31 December 2021: approximately HK$2.3 million). The significant increase in loss was due to an impairment loss on property, plant and equipment amounted to HK$6.2 million was incurred, which was partially offset by the improvement over gross margin resulted from stringent cost control and enhanced operational efficiency.

Discontinued Operations

Personal Care Products

The Group's manufacture and sales of personal care products was conducted primarily through the Company's PRC indirectly wholly owned subsidiary, Frog Prince (Fujian) Baby & Child Care Products Co., Limited (青蛙王子(福建)嬰童護理用品有限公司) ("Frog Prince (Fujian) Baby"). During the year, the Group disposed its entire interest in Frog Prince (Fujian) Baby and ceased to engage in personal care products business upon the disposal. For further details, please refer to the paragraph "Financial Review - Disposal of Subsidiaries" below.

During the Reporting Period, the Group's business segment of personal care products contributed a total revenue of approximately HK$392.0 million to the Group, representing a decrease of about 34.8% over the same period of last year (31 December 2021: HK$601.4 million) and recorded a loss of approximately HK$33.9 million, representing a decrease of about 52.0% over the last year (31 December 2021: HK$70.5 million). For further details, please refer to the paragraph "Financial Review - Disposal of Subsidiaries" below.

Compliance Advisory Services Business

During the year, the Group disposed all of its interest in Global Compliance Consulting Limited ("GCC"), an indirect subsidiary of the Company, which was primarily engaged in provision of compliance advisory services. The Group ceased to engage in compliance advisory services business upon the disposal. For the Reporting Period, a revenue of approximately HK$1.5 million (31 December 2021: HK$3.1 million) and a loss of approximately HK$0.8 million (31 December 2021: profit of HK$1.2 million) were recorded.

Finance Leasing And Factoring Business

The Group's finance leasing and factoring business was conducted primarily in the PRC through the Company's indirectly wholly owned subsidiary, 天一融資租賃(深圳)有限公司("天一融資"). During the year, the Group disposed its entire interest in 天一融資 and ceased to engage in finance leasing and factoring business upon the disposal. 天一融資 contributed a total revenue of approximately HK$1.5 million to the Group, representing a decrease of about 85.1% over the same period of last year (31 December 2021: HK$10.0 million) and recorded a loss of approximately HK$12.8 million, representing a decrease of about 46.6% over the last year (31 December 2021: HK$23.9 million). For further details, please refer to the paragraph "Financial Review - Disposal of Subsidiaries" below.

FINANCIAL REVIEW

Change of Functional Currency and Presentation Currency

Prior to 1 September 2022, Renminbi ("RMB") was regarded as the functional currency of the Company and the consolidated financial statements of the Group were presented in RMB.

On 31 August 2022, the disposal of the Group's entire interest in Frog Prince (Fujian) Baby was completed. Through Frog Prince (Fujian) Baby, the Group was previously engaged in manufacturing and sale of personal care products business in the PRC. Details of the disposal are set out in section "Disposal of Subsidiary" below. After the disposal, the Board considered that, with our continuing focus on the provision of food and beverage business and the significant capital investments in the business of securities brokerage, margin financing, asset management and professional services in Hong Kong, the primary economic environment in which the Company operates has changed and it is more appropriate to use Hong Kong dollars ("HK$") as the functional currency with effect from 1 September 2022. The presentation currency of the Group for the year ended 31 December 2022 is also changed to HK$ into line with the change in functional currency, offering the users of the consolidated financial statements with a more well-defined picture of the Group's financial performance.

The effects of the change in presentation currency have been accounted for retrospectively with comparative figures restated. The comparative information in the consolidated financial statements has been restated to reflect as if HK$ has always been the presentation currency of the Group. The change in functional currency of the Company was applied prospectively from the date of change.

Revenue

During the Reporting Period, the revenue of the Group was approximately HK$509.4 million, representing a decrease of about 15.5% over the last year (for the year ended 31 December 2021: approximately HK$602.7 million).

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately HK$104.3 million, representing a decrease of about 18.8% as compared with the gross profit of approximately HK$128.5 million for the year ended 31 December 2021. The decrease in the gross profit was mainly due to gross loss of provision of financial business recorded.

During the Reporting Period, the gross profit margin decreased by approximately 0.8% over the last year to approximately 20.5% (for the year ended 31 December 2021: approximately 21.3%). The decrease in overall gross profit margin was primarily due to gross loss of provision of financial business recorded.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of storage and logistic costs and other expenses. Selling and distribution expenses amounted to approximately HK$38.7 million for the Reporting Period, representing an increase of about 4.8% as compared with approximately HK$36.9 million for the year ended 31 December 2021. The increase was mainly due to increase in storage and logistic costs under the impact of global supply chain disruption.

The selling and distribution expenses accounted for approximately 7.6% of the revenue during the Reporting Period (for the year ended 31 December 2021: approximately 6.1%), among which, storage and logistic costs, as a percentage of revenue, increased from approximately 4.1% for the year ended 31 December 2021 to approximately 5.6% for the Reporting Period.

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation and other expenses. Administrative expenses of the Group amounted to approximately HK$92.5 million for the Reporting Period (for the year ended 31 December 2021: approximately HK$83.6 million), representing an increase of approximately 10.7% over the last year. The increase was mainly due to increases in wages and salaries and depreciation of right-of-use assets (as incurred for operating lease rental of office premises) during the year.

Administrative expenses accounted for approximately 18.2% of the Group's revenue for the Reporting Period (for the year ended 31 December 2021: approximately 13.9%).

Impairment loss on property, plant and equipment

The Group's temperature-controlled storage business is facing a tough challenge amidst the prolonged outbreak of COVID-19 as well as intense market competition and consequently suffered a segmental loss during the year. The downward pressure on revenue and increasing operating costs are still expected to be challenging to the Group in near term. Impairment assessment on the temperature-controlled storage was performed and corresponding recoverable amounts of the relevant property, plant and equipment were estimated as at 31 December 2022. Accordingly, the Group recognised an impairment loss of property, plant and equipment of approximately HK$6.2 million for the year ended 31 December 2022 (2021: nil).

Finance Costs

The Group had finance costs of approximately HK$2.2 million for the Reporting Period (for the year ended 31 December 2021: approximately HK$3.7 million).

Disposal of Subsidiaries

Frog Prince (Fujian) Baby

On 4 July 2022, Fujian RuiYu Innovation Cosmetic Co., Limited (福建省瑞宇創化妝品有限公司) ("Fujian RuiYu Innovation"), an indirect wholly-owned subsidiary of the Company, as vendor, and Snagatr (Fujian) Oral Health Technology Co., Limited (絲耐潔(福建)口腔健康科技有限公司) ("Snagatr"), as purchaser, entered into the equity transfer agreement ("Equity Transfer Agreement"), pursuant to which Snagatr has conditionally agreed to acquire and Fujian RuiYu Innovation has conditionally agreed to sell the entire issued share capital of Frog Prince (Fujian) Baby, a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company at the total consideration of RMB50.0 million. Frog Prince (Fujian) Baby holds the land and the industrial building located at No. 8 Wuqiao Bei Road, Lantian Economic Development Zone, Longwen District, Zhangzhou City, Fujian Province, the PRC of which Frog Prince (Fujian) Baby has the right to occupy, use, dispose of and benefit. The principal business of Frog Prince (Fujian) Baby is the design, manufacture and sales of children's personal care products mainly for the PRC and the U.S. markets.

Upon completion of the said disposal, the Company ceased to hold any interests in the Frog Prince (Fujian) Baby and Frog Prince (Fujian) Baby ceased to be a subsidiary of the Company. Accordingly, the financial results of the Frog Prince (Fujian) Baby would no longer be consolidated into the consolidated financial statements of the Company.

The said disposal was completed on 31 August 2022 and a loss on disposal of approximately HK$1.6 million was recognized. As the highest applicable percentage ratio in respect of the disposal exceeds 25% but is lower than 75%, the disposal constituted a major transaction of the Company under Chapter 14 of the Listing Rules. Detailed information can be referred in the announcement of the Company dated 4 July 2022 and the circular of the Company dated 9 August 2022.

Global Compliance Consulting Limited

During the year, Ayasa Globo Financial Services Limited ("Ayasa Globo"), a 60% indirectly owned subsidiary of the Company, entered into a disposal agreement with a certain purchaser and completed to dispose all of its interest in GCC for consideration valued at HK$1,800,000. GCC, a 60% directly owned subsidiary of Ayasa Globo, was primarily engaged in provision of compliance advisory services. Upon completion of the disposal, the Group ceased to hold any interests in GCC and a loss on disposal of approximately HK$2.2 million was recognized.

Brisk Day Limited

During the year, the Company entered into a sale and purchase agreement with an independent third party and completed to dispose its entire interest in Brisk Day Limited ("Brisk Day"), a wholly-owned subsidiary of the Company, for a consideration of US$1. Brisk Day was an investment holding company and indirectly owned 100% interest in 天一融資, which was primarily engaged in finance leasing and factoring business in the PRC. Upon completion of the disposal, the Company ceased to hold any interests in Brisk Day, and a loss on disposal of approximately HK$0.1 million was recognized.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

Save as disclosed in the above section headed "Disposal of Subsidiaries", the Group did not have material acquisitions and disposals of subsidiaries and affiliated companies for the year ended 31 December 2022. As at 31 December 2022, the Group did not hold any significant investments. The Group does not have any future plans in relation to material investments or capital assets.

Net Loss and Net Loss Margin

For the Reporting Period, loss attributable to equity holders of the Company amounted to approximately HK$88.9 million as compared with loss attributable to equity holders of the Company of approximately HK$104.9 million for the year ended 31 December 2021. The net loss margin was approximately 17.4% as compared with the net loss margin of approximately 17.4% for the year ended 31 December 2021, with basic loss per share of approximately HK$3.9 cents (basic loss per share for the year ended 31 December 2021: approximately HK$5.1 cents).

Capital Expenditure

For the Reporting Period, the Group's material capital expenditure (consists of addition to property, plant and equipment and investment properties) amounted to approximately HK$19.4 million (for the year ended 31 December 2021: approximately HK$30.4 million), which was mainly used for renovation of our offices and acquisition of office equipment.

Financial Resources and Liquidity

As at 31 December 2022, cash and bank balances of the Group amounted to approximately HK$307.1 million (for the year ended 31 December 2021: approximately HK$445.3 million). The current ratio was 2.9 (for the year ended 31 December 2021: 1.5). Our liquidity remained healthy. The uses of balance of cash and bank balances were mainly as follows: firstly, providing the liquid capital and strengthening the operation of the securities brokerage and margin financing business of the Group; secondly, developing the provision of food and beverage services business; and thirdly, pursuing potential acquisition and investment opportunities.

Fundraising Activities of the Group

On 11 June 2021, the Company entered into a placing agreement with Merdeka Securities Limited ("Merdeka Securities") pursuant to which Merdeka Securities had conditionally agreed, as agent of the Company, to procure on a best effort basis to not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 362,000,000 placing shares at the placing price of HK$0.068 per placing share. Completion of the said placing took place on 5 July 2021 and 362,000,000 placing shares were placed to not less than six placees at the placing price of HK$0.068 per placing share.

The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the said placing, amounted to approximately HK$24.3 million, and the Group intends to use all of the net proceeds to develop its financial business, including but not limited to strengthening the operation of the margin financing the business of the Group. Details of the said placing are set out in the Company's announcements dated 11 June 2021 and 5 July 2021.

The actual or proposed uses of the proceeds from the Placing are in line with the plan disclosed by the Company, and details of the proposed and actual uses of the proceeds are as follows:

Intended use of proceeds	Net proceeds raised from the Placing	Actual use of proceeds	Utilised proceeds as at 31 December 2021	Unutilised proceeds as at 31 December 2021	Utilised proceeds as at 31 December 2022	Unutilised proceeds as at 31 December 2022
Development of financial business, including but not limited to strengthen the operation of the margin financing business of the Group	HK$24.3 million	Develop the operation of margin financing business of the Group	–	HK$24.3 million	HK$24.3 million	–

During the Reporting Period, save as disclosed above, the Company had not conducted any other fund-raising activity.

Performance Guarantee

On 20 March 2020, the Group, as purchaser, and an independent third party, as vendor, entered into a sale and purchase agreement, pursuant to which the vendor has agreed to sell and the purchaser has agreed to acquire 60% issued share capital of Ayasa Globo Financial Services (BVI) Limited ("Ayasa Globo (BVI)") for a consideration of HK$42,000,000. Pursuant to the sale and purchase agreement, the Group shall have the right to exercise the put option (the "Put Option") at its discretion to require the vendor, to purchase 60% of the issued shares of Ayasa Globo (BVI) from the Group at a cash consideration of HK$42,000,000, in the sole event that the accumulated actual audited consolidated profit before tax of Ayasa Globo (BVI) for the two financial years ended 31 March 2021 and 31 March 2022 is less than HK$15,720,000 (the "Profit Guarantee"). Based on the audited accounts of Ayasa Globo (BVI) for the two financial years ended 31 March 2021 and 31 March 2022, accumulated actual audited consolidated profit before tax was not less than HK$15,720,000 and the Profit Guarantee has been fulfilled. As such, the Put Option is not exercisable and the vendor is not obliged to purchase 60% of the issued shares of Ayasa Globo (BVI) owned by the Group.

Loan and Interest Receivables

As at 31 December 2022, the Group's loan and interest receivables were approximately HK$2.5 million (31 December 2021: approximately HK$27.7 million). During the Reporting Period, the Group did not enter into any additional loan arrangements with customers (31 December 2021: approximately HK$8.0 million, with an average annual interest rate of 11.0%).

A reversal of impairment loss on loan and interest receivables of approximately HK$1.7 million was made during the Reporting Period (31 December 2021: approximately HK$0.1 million).

No loan and interest receivables were written off during the Reporting Period (31 December 2021: approximately HK$0.6 million).

Trade and Bills Receivables

As at 31 December 2022, the Group's trade and bills receivables were approximately HK$136.8 million (31 December 2021: approximately HK$236.5 million). The amount included trade receivables arising from margin financing approximately HK$46.1 million (31 December 2021: nil) with repayment on demand clause and trade receivables arising from dealing in securities and futures contracts services (clearing house, brokers and cash clients) approximately HK$10.7 million (31 December 2021: approximately HK$64.5 million) to be settled one to two days after trade date. Besides, the Group usually grants a credit period of 30 to 180 days to the customers for settling trade receivables arising from the remaining businesses amounted at HK$80.1 million (31 December 2021: HK$172.0 million).

The impairment loss on trade and bills receivables of approximately HK$3.6 million was made during the Reporting Period (31 December 2021: approximately HK$8.4 million).

Trade and Bills Payables

As at 31 December 2022, trade and bills payables were approximately HK$171.4 million (31 December 2021: approximately HK$439.4 million), of which included trade payables arising from dealing in securities and futures contracts services approximately HK$26.1 million (31 December 2021: approximately HK$109.8 million) to be settled one to two days after trade date and trade payables arising from provision of escrow services approximately HK$141.0 million (31 December 2021: approximately HK$20.3 million) of which payments shall be made upon client's request. Besides, the Group normally settled the remaining payables arising from other businesses amounted at approximately HK$4.4 million (31 December 2021: approximately HK$309.3 million) on terms of 30 to 180 days and kept good payment records.

Inventories

As at 31 December 2022, inventories of the Group were approximately HK$40.1 million (31 December 2021: approximately HK$103.9 million). As at 31 December 2022, the inventory balance decreased by approximately 61.4% over 31 December 2021.

Gearing Ratio

As at 31 December 2022, the current assets and total assets of the Group were approximately HK$709.8 million and HK$913.4 million respectively, the current liabilities and total liabilities of the Group were approximately HK$248.3 million and HK$254.3 million respectively. The gearing ratio (total liabilities/total assets) of the Group was approximately 27.8% (31 December 2021: approximately 48.7%).

Bank and Other Borrowings

As at 31 December 2022,

(i) the Group had bank borrowings of approximately HK$13.2 million (31 December 2021: approximately HK$89.1 million). Facilities were provided to the Group from banks in Hong Kong in the form of secured bank borrowings amounting to approximately HK$93.0 million secured by a guarantee from the Company. (31 December 2021: Facilities were provided to the Group from banks in Hong Kong in the form of secured bank borrowings amounting to approximately HK$93.0 million and HK$0.7 million secured by a guarantee from the Company and a non-controlling interest respectively.) No facility was provided to the Group from banks in the PRC. (31 December 2021: Facilities were provided to the Group from banks in the PRC in the form of secured bank borrowings amounting to approximately HK$61.3 million); and

(ii) the Group did not have any other secured borrowings (31 December 2021: approximately HK$73.0 million).

Pledge of Assets

As at 31 December 2022,

(i) the Group pledged deposits of approximately HK$3.0 million (31 December 2021: approximately HK$27.2 million) for short-term bank borrowings and bills payable;

(ii) no investment property (31 December 2021: approximately HK$77.2 million) was pledged for other borrowings; and

(iii) no any share of a subsidiary was pledged for other borrowings (31 December 2021: shares of a subsidiary were pledged for other borrowings).

Capital Structure

The major objective of the Group's capital management is to ensure the ability of sustainable operations and maintain a healthy capital ratio in order to support its businesses and maximise the interests of the shareholders (the "Shareholders") of the Company. The Group continued to emphasise the appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

Risk of Foreign Exchange

The Group's business operations were denominated mainly in HK$, RMB and US dollars ("USD") during the Reporting Period.

The Group's assets and liabilities are mainly denominated in HK$ and USD at the year end. Currently, the Group has not entered into any agreement or purchased any instrument to hedge the Group's foreign currency risk. Since the HK$ is pegged to the USD, the Group's exposure to foreign currency risk in respect of asset and liabilities denominated in USD is considered to be minimal.

The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Contingent Liabilities

As at 31 December 2022 and 31 December 2021, the Group had no material contingent liabilities.

OUTLOOK

The Group will continue to strengthen, develop and diversify its business portfolio in a sustainable manner. In light of the slow recovery following the prolonged outbreak of the COVID-19 pandemic, the on-going geopolitical conflicts between Russia and Ukraine as well as surging inflation in the Western countries, the Group will continue to adopt a prudent approach for the development of its businesses.

Looking ahead to 2023, the food and beverage services business will continue to face opportunities and risks. As Hong Kong has been reopening to travelers around the world with further relaxation on border control measures, the local economy is expected to recover gradually in 2023. The demand of our food and beverage services will be affected by ease of the Hong Kong government's restriction, leading to on one hand a possible favorable boost over the business uses for restaurants with expectations for the return of travelers and the other hand a potential shrinking demand on frozen foods for household consumption with the removal of limits on dine-services at eateries. Besides, it is expected that our procurement costs shall remain high in view of the global inflation hike and on-going global supply chain disruption. Under the high uncertainty of the overall environment in the short term, the Group will keep cautious on the development of the food and beverage services business. We will put more effort towards expanding the range of our products to high margin products and seeking different sourcing territories to control the procurement costs. The Group also intends to pursue higher return from its food and beverage services segment by providing more value-added services and increasing brand awareness. In the long term, the Directors are optimistic of the prospect of the food and beverage service industry in Hong Kong, taking advantage of its robust customer network, which mainly comprises of reputable chains of restaurants and stores, supermarkets and wholesalers in Hong Kong. The Group will continue to seek further potential business opportunities of the provision of food and beverage services, including but not limited to: (a) either acquire or establish a food processing factory to slice and process wholesale frozen meat to reinforce the value-added services, (b) develop its own brand of products to broaden its product range and diversify its customer base and increase brand awareness, and (c) form cooperation with reliable logistic specialists if possible in order to lower the inventory and transportation costs.

Global investor sentiment may continue to be subdued by geopolitical conflict, interest rate hike and stagflation risk in 2023. Meanwhile, local demand may be further revived and household consumption is expected to recover following significant relaxation of containment measures in Mainland China. The stock market of Hong Kong will stay turbulent inevitably under these uncertain factors and the Group will maintain cautious on managing the Group's portfolio of securities investment.

As part of its current strategic plans, the Group has been exploring opportunities to further invest into financial business as the prospect of Hong Kong's financial services industry remains promising in light of Hong Kong's unique advantage of having close links with Mainland China and Hong Kong's role as the global hub for offshore RMB business. The expansion of new financial business or reformulating strategy of the existing businesses will better fuel the Group to enhance its overall financial performance in the future. Looking ahead the post-pandemic economic outlook, Mainland China and Hong Kong markets are expected to recover gradually. Further monetary and fiscal measures supporting the local economy in Mainland China will probably stabilize the financial markets and stimulate investments. The Group also maintains great confidence in the bright future of its securities brokerage, asset management and professional services business.

The Group currently holds lands and landed properties located in Yuen Long, Hong Kong and certain industrial properties located at Cheung Sha Wan, Hong Kong. The Group remains optimistic about the long-term growth of Hong Kong real estate market due to the shortage in supply of land. The Company plans to demolish the properties erected on the parcels of lands in Yuen Long, Hong Kong held by the Group and to redevelop such parcels of land. Relevant applications have been made to the Hong Kong Government in relation to the redevelopment of the said parcels of lands. To the best knowledge, information and belief of the Directors, there is no legal impediment in obtaining the relevant approval from the Hong Kong Government. The industrial properties located at Cheung Sha Wan had been subdivided into twenty-two separate lots for sale. During the year, the Group has successfully sold seven separate lots. The Group is in the progress of seeking tenants for the remaining lots.

The Group will review its existing businesses' performance on an ongoing basis and will consider expanding the segment with potential, as well as diversifying into other new businesses in order to improve the profitability of the Group and to enhance the interests of the Shareholders more effectively. The Group will consider from time to time other investment opportunities. The Company will make an announcement according to the requirements of the Listing Rules as and when appropriate.

EMPLOYEES AND REMUNERATION

As at 31 December 2022, the Group employed 84 employees (as at 31 December 2021: 1,039 employees).

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. In addition to basic salaries, year-end bonuses may be awarded by the Group to those staff members with outstanding performance.

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 per employee. There are no forfeited contributions for the MPF Scheme as the contributions are fully vested to the employees upon payments to the MPF Scheme.

Constituent companies of the Group established in the PRC are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations in the PRC, constituent companies of the Group established in the PRC are required to pay on behalf of their employees a monthly social insurance premium at the applicable rates based on the amounts stipulated by the PRC local government authorities ("PRC Retirement Schemes"), covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Upon retirement, the local government labour and social security authorities are responsible for the payment of the retirement benefits to the retired employees. There are no forfeited contributions for the PRC Retirement Schemes as the contributions are fully vested to the employees upon payments to the PRC Retirement Schemes.

In addition, a share option scheme was adopted by the Company in June 2021 for the purpose of providing incentive or reward to staff members and other eligible participants who make contributions to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend in respect of the year ended 31 December 2022 (year ended 31 December 2021: Nil).

DIRECTORS AND COMPANY SECRETARY BIOGRAPHIES

DIRECTORS

Executive Directors

Mr. Lau Ka Ho (劉家豪), aged 44, was appointed as an executive director, chief financial officer, company secretary, member of nomination committee and member of executive committee of the Company on 24 May 2019. He was also appointed as the member of remuneration committee and chairman of investment and credit committee of the Company on 31 December 2019 and 8 January 2021 respectively. Mr. Lau had been re-designated from the position of Chief Financial Officer to the Chief Executive Officer and resigned as the company secretary on 31 December 2019. He had also been re-designated from the member of executive committee to the chairman of executive committee on 30 June 2021. He is currently the director of certain subsidiaries of the Group. Mr. Lau holds a Master's degree in business administration from The University of Iowa and a Master's degree in corporate governance from Hong Kong Metropolitan University. Mr. Lau is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He is also a member of The Hong Kong Institute of Directors and holds a Diploma in Company Direction.

He has more than 15 years of experience in corporate management, corporate finance and corporate secretarial areas.

Mr. Lau was appointed as an independent non-executive director of International Entertainment Corporation (a company listed on the main board of Stock Exchange: stock code: 1009) on 1 June 2020.

He was also appointed as an executive director and company secretary of Gain Plus Holdings Limited (a company listed on the main board of Stock Exchange: stock code: 9900) on 25 February 2021 and 3 September 2021 respectively.

Mr. Chan Hoi Tik (陳凱迪), aged 40, was appointed as an executive director, company secretary, chief financial officer and member of executive committee of the Company on 31 December 2019. Mr. Chan had resigned as the company secretary on 8 January 2021. He was also appointed as a member of investment and credit committee on 15 July 2022. He is currently the director of certain subsidiaries of the Group. Mr. Chan holds a Bachelor's Degree in Accountancy and Law and a Master's Degree in Business Administration from the City University of Hong Kong and a Continuing Education Diploma in Tax Advisory. Before joining the Company, Mr. Chan had worked in international accounting firms and as financial management positions in a listed company and private companies. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He has over 15 years of experience in accounting and auditing fields.

Non-executive Director

Mr. Sze Wine Him Jaime (施榮忻), aged 48, was appointed as a non-executive director of the Company on 3 August 2020. Mr. Sze has more than 25 years of experience in the investment industry. He is currently the investment director of Hang Tung Resources Holding Limited. He is also the vice president of the 12th Committee of All-China Youth Federation, the founding and emeritus chairman of The Y.Elites Association, the member of Council of The Hong Kong Polytechnic University, the president and honorary chairman of Centum Charitas Foundation, the co-founding chairman of the ACYF HK Members Association and the director and honorary chairman of The Committee of Youth Activities in Hong Kong. In recognition of his valuable contribution to Hong Kong, he was appointed as a Justice of the Peace by the Hong Kong Special Administrative Region Government on 1 July 2014, and was awarded the Bronze Bauhinia Star on 1 July 2019.

Independent Non-executive Directors

Ms. Chan Sze Man (陳詩敏), aged 41, was appointed as an independent non-executive director of the Company on 20 September 2016. She is also the chairman of each of the Audit Committee and the Nomination Committee and member of Remuneration Committee of the Company. Ms. Chan received a Bachelor's Degree in Business Administration (majoring in Accountancy) from The Hong Kong University of Science and Technology. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 16 years of experience in accounting and auditing for Hong Kong listed companies and private companies. Ms. Chan is currently a non-executive director of Tongda Group Holdings Limited (a company listed on the main board of the Stock Exchange; stock code: 698) and an independent non-executive director of Chi Kan Holdings Limited (a company listed on the main board of Stock Exchange; stock code: 9913).

Mr. Ma Kwun Yung Stephen (馬冠勇), aged 42, was appointed as an independent non-executive director of the Company on 15 March 2017. He is also the chairman of the Remuneration Committee and member of the Audit Committee of the Company. Mr. Ma has over 10 years of experience in renewable energy management. He obtained a Bachelor degree of Business Systems from Monash University in Australia in 2003 and a Master degree of Applied Finance from The University of Melbourne, Australia in 2005. He is a director and a shareholder of EcoSmart Energy Management Limited, a private company principally engaged in the provision of design, consultation and building of energy projects to private and listed companies.

Ms. Bu Yanan (卜亞楠), aged 37, was appointed as an independent non-executive director of the Company on 15 September 2017. She is also the member of each of the Audit Committee and the Nomination Committee of the Company. She was graduated from the City University of Hong Kong with a bachelor of laws and has completed the Practising Certificate in law programme to qualify for admission as a barrister of High Court of Hong Kong in 2011. She is also an Accredited General and Family Mediator of the Hong Kong International Arbitration Centre and of the Hong Kong Mediation Accreditation Association, a fellow of Hong Kong Institute of Arbitrators. Ms. Bu has been in active practice at the Bar in various criminal and commercial matters and has extensive legal experience.

COMPANY SECRETARY

Mr. Li Kin Ping (李健平), aged 39, obtained a bachelor's degree of Business Administration (Honours) Accounting from Hong Kong Baptist University. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in accounting and auditing for Hong Kong listed companies and private companies.

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations.

The Company has applied the principles as contained in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board considers that during the year ended 31 December 2022, the Company has complied with the code provisions set out in the CG Code apart from the code provisions F.2.2 and C.2.1 described in the paragraph headed "THE BOARD – A3. Chairman and Chief Executive". Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Company and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

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

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board as at 31 December 2022 is as follows:

Executive Directors:

Mr. Lau Ka Ho	*(Chief Executive Officer, Member of the Remuneration Committee, Member of the Nomination Committee, Chairman of the Executive Committee and Chairman of the Investment and Credit Committee)*
Mr. Chan Hoi Tik	*(Chief Financial Officer, Member of the Executive Committee and Member of the Investment and Credit Committee)*

Non-executive Director:

Mr. Sze Wine Him Jaime

Independent Non-executive Directors:

Ms. Chan Sze Man	*(Chairman of the Audit Committee, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Mr. Ma Kwun Yung Stephen	*(Chairman of the Remuneration Committee and Member of the Audit Committee)*
Ms. Bu Yanan	*(Member of the Audit Committee and Member of the Nomination Committee)*

During the year under review, the Company has met the requirements of under Rules 3.10 and 3.10A of the Listing Rules of having three independent non-executive Directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional divisions of the Group in accordance with his areas of expertise. The independent non-executive Directors bring different business and financial expertise, experience and independent judgment to the Board, and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive Directors had made contributions to the effective direction of the Company and provided adequate supervision and balances to safeguard the interests of both the Group and the Shareholders.

The biographical details of the Directors of the Company are set out under the section headed "Directors and Company Secretary Biographies" in this annual report. None of the members of the Board is related to one another.

The Company recognises that Board independence is key to good corporate governance. A policy in relation to independent views available to the Board was adopted by the Company to ensure effective mechanisms that underpin a strong independent Board and that independent views and input from Directors are conveyed to the Board. The Board shall annually review the implementation and effectiveness of the policy.

As at the date of this report, two out of six Directors are female, representing about 33.3% of the Board. The Board will continue to embrace gender diversity and target to achieve gender parity as the ultimate goal. The Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

As at the date of this report, no independent non-executive Director has served the company for more than nine years.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

The Board is of the view that the Company has complied with the code provisions set out in the CG Code as contained in Appendix 14 to the Listing Rules during the year ended 31 December 2022 apart from the code provisions F.2.2 and C.2.1 as disclosed below.

Under code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. During the year ended 31 December 2022, the Company did not appoint any individual to be the chairman of the Board as the Board was still in the process of identifying a suitable candidate. Mr. Lau Ka Ho ("Mr. Lau"), the executive Director and chief executive officer of the Company, has chaired the annual general meeting held on 24 June 2022 ("2022 AGM") and addressed questions raised by the Shareholders at the 2022 AGM. The chairman of the audit, remuneration and nomination committees of the Board, and representatives of the Company's auditor also attended the 2022 AGM and were available to address questions from the Shareholders.

Having considered the knowledge of the aforesaid attendees, including representation from the Company's management and auditor, the Company considers that questions or issues raised by Shareholders would be sufficiently addressed and that an effective dialogue between the Company and the Shareholders has been maintained.

Under code provision C.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. As aforesaid, the Company did not appoint any individual to be the chairman of the Board during the year ended 31 December 2022. Hence the Company deviated from the requirements under code provision C.2.1. The Board will nominate suitable candidate to act as chairman of the Board as soon as practicable and will make necessary announcement as and when appropriate.

A4. Appointment and Re-election of Directors

The Company's articles of association (the "Articles of Association") contains provisions on the procedures and process of appointment and removal of directors.

Each Director, including the non-executive Director and independent non-executive Directors, has entered into a service contract with the Company for a term of three years, subject to renewal upon expiry of the terms. They are also subject to re-election in accordance with the Company's Articles of Association provisions.

According to the Company's Articles of Association, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the Shareholders at the respective general meetings.

A5. Training and Continuing Development for Directors

Each newly appointed Director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group, and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

During the year ended 31 December 2022, all Directors complied with the code provision C.1.4 of the CG Code on participation in continuous professional training as follows:

– All Directors (being Mr. Lau Ka Ho, Mr. Chan Hoi Tik, Mr. Fok King Man Ronald (resigned on 15 July 2022), Mr. Li Zhouxin (resigned on 30 November 2022), Mr. Sze Wine Him Jaime, Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen and Ms. Bu Yanan) received regular briefings and updates from the Company on the Group's business, operations and corporate governance matters.

– Mr. Lau Ka Ho, Mr. Chan Hoi Tik, Ms. Chan Sze Man and Ms. Bu Yanan attended relevant seminars organized by other professional firms/institutions/the Stock Exchange.

– All Directors (being Mr. Lau Ka Ho, Mr. Chan Hoi Tik, Mr. Fok King Man Ronald (resigned on 15 July 2022), Mr. Li Zhouxin (resigned on 30 November 2022), Mr. Sze Wine Him Jaime, Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen and Ms. Bu Yanan) read technical bulletins, periodicals and other publications on subjects relevant to the Group and on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

A6. Directors' Attendance Records

The attendance records of each Director at the Board and Board committees meetings, annual general meeting and extraordinary general meeting of the Company held during the year ended 31 December 2022 are set out below:

	Attendance/Number of Meetings							
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Executive Committee**	**Investment and Credit Committee**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors:								
Mr. Lau Ka Ho	8/8	N/A	1/1	2/2	3/3	12/12	1/1	1/1
Mr. Chan Hoi Tik *(Note 1)*	8/8	N/A	N/A	N/A	3/3	5/5	1/1	1/1
Mr. Fok King Man Ronald *(Note 2)*	1/3	N/A	N/A	N/A	1/2	7/7	1/1	N/A
Non-executive Directors:								
Mr. Li Zhouxin *(Note 3)*	7/8	N/A	N/A	N/A	N/A	N/A	0/1	0/1
Mr. Sze Wine Him Jaime	8/8	N/A	N/A	N/A	N/A	N/A	0/1	0/1
Independent non-executive Directors:								
Ms. Chan Sze Man	8/8	3/3	1/1	2/2	N/A	N/A	1/1	1/1
Mr. Ma Kwun Yung Stephen	8/8	3/3	1/1	N/A	N/A	N/A	1/1	0/1
Ms. Bu Yanan	8/8	3/3	N/A	2/2	N/A	N/A	0/1	0/1

Notes:

1. Mr. Chan Hoi Tik was appointed as a member of the Investment and Credit Committee with effect from 15 July 2022. After the appointment, the Investment and Credit Committee held 5 meetings during the year ended 31 December 2022.

2. Mr. Fok King Man Ronald resigned as an executive Director and chief investment officer and ceased to be a member of the Executive Committee and the Investment and Credit Committee with effect from 15 July 2022. Before his resignation, 3 Board meetings, 2 Executive Committee meetings, 7 Investment and Credit Committee meetings and an annual general meeting were held during the year ended 31 December 2022.

3. Mr. Li Zhouxin resigned as a non-executive Director with effect from 30 November 2022. Before his resignation, 8 Board meetings, an annual general meeting and an extraordinary general meeting were held during the year ended 31 December 2022.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Each Director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's Directors and they have confirmed their compliance with the Model Code throughout the year ended 31 December 2022.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision A.2.1 of the CG Code.

During the year under review, the Board has performed such corporate governance functions as follows: (i) developed and reviewed the Company's corporate governance policies and practices and make recommendations to the Board, (ii) reviewed and monitored the training and continuous professional development of Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) developed, reviewed and monitored the code of conduct and the Employees Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

B. BOARD COMMITTEE

The Board established five Board committees, namely, the Executive Committee, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Investment and Credit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Executive Committee

The members of the Executive Committee during the year and as the date of this report were as follows:

Executive Directors
Mr. Lau Ka Ho *(Chairman)*
Mr. Chan Hoi Tik
Mr. Fok King Man Ronald *(ceased on 15 July 2022)*

The Executive Committee has been delegated by the Board the powers in the oversight of the management of the business and affairs of the Group.

During the year ended 31 December 2022, the Executive Committee held 3 meetings (the attendance records of each committee member are set out in section A6 above). The Executive Committee performed the following major works during the year:

– to consider emerging issues, that may be material to the business and affairs of the Group and the realization of its agreed strategy;

– to review material strategic initiatives, including acquisitions and disposals, joint ventures and investments and recommend such to the Board;

– to monitor and review the implementation of the Group's strategic and investment plans;

– to monitor and review the organization, business and personnel policies of the Group;

– to liaise and consult with other committees of the Board on all matters in relation to the businesses of the Group;

– to do any such things to enable the committee to discharge its powers and functions conferred on it by the Board; and

– to work to the requirements that may from time to time be delegated by the Board or contained in the constitution of the Company.

B2. Remuneration Committee

The members of the Remuneration Committee during the year and as at the date of this report were as follows:

Executive Director
Mr. Lau Ka Ho

Independent non-executive Directors
Mr. Ma Kwun Yung Stephen *(Chairman)*
Ms. Chan Sze Man

The majority of the Remuneration Committee members are independent non-executive Directors.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure, the remuneration packages of executive Directors and members of senior management (i.e. the model described in the code provision E.1.2(c)(ii) of the CG Code is adopted) and the remuneration of non-executive Directors. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Group as well as market practice and conditions. The Remuneration Committee is also responsible for reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2022, the Remuneration Committee held 1 meeting (the attendance records of each committee member are set out in section A6 above). The Remuneration Committee generally reviewed and discussed the remuneration packages, policy and structure of the Directors and the senior staff of the Group, and recommended to the Board during the year.

The remuneration of the executive Directors, who are regarded as senior management of the Company, are set out in note 13 to the consolidated financial statements in this annual report.

B3. Nomination Committee

The members of the Nomination Committee during the year and as at the date of this report were as follows:

Executive Director
Mr. Lau Ka Ho

Independent non-executive Directors
Ms. Chan Sze Man *(Chairman)*
Ms. Bu Yanan

The majority of the Nomination Committee members are independent non-executive Directors.

The principal responsibilities of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out the selection process when necessary.

The Company also recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. A Board diversity policy (the "Board Diversity Policy") was adopted by the Company. Pursuant to the Board Diversity Policy, the Nomination Committee is responsible for monitoring the implementation of the Board Diversity Policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendations to the Board, if any. The objectives of the Board Diversity Policy will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

The Nomination Committee will review the Board Diversity Policy annually to ensure its continued effectiveness.

During the year ended 31 December 2022, the Nomination Committee held 2 meetings (the attendance records of each committee member are set out in section A6 above). The Nomination Committee performed the following major works during the year:

– Review of the structure, size, and diversity of the Board and the Board Diversity Policy, to ensure that the Board's composition complies with the Listing Rules and reflects an appropriate mix of skills, experience, and diversity that are relevant to the company's strategy, governance, and business and contribute to the Board's effectiveness and efficiency;

– Consideration of and recommendation to the Board on the re-election of the retiring Directors at the 2022 AGM;

– Assessment of the independence of the three independent non-executive Directors; and

– Consideration of and recommendation to the Board on the changes in compositions of the Board and Board committees during the year.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;

(c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(d) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(e) In case of independent non-executive Directors, whether the candidates would be considered independent in accordance with the Listing Rules;

(f) In case of re-election, the overall contribution and service to the Company of the Director to be re-elected and the level of participation and performance on the Board and the other criteria set out in this section; and

(g) Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

(a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other members of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);

(b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a Director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;

(c) The Nomination Committee shall, upon receipt of the proposal on appointment of new Director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;

(d) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

(e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(f) The secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidate(s) to stand for re-election or election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration and the Board shall make recommendations to Shareholders in respect of the proposed re-election or election of Director(s) at the general meeting;

(g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to Shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidate(s); and

(h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Monitor and Review

The Nomination Committee will monitor the implementation of the Nomination Policy and report to the Board when necessary. Also, the Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also reviewed and considered that the following key features or mechanisms under the Board and governance structure are effective in ensuring that independent views and input are provided to the Board:

Board and Committees' structure

The Board comprises a majority of non-executive Directors during the year. All of our non-executive Directors are independent of and not related to each other.

Non-executive Directors' remuneration

Non-executive Directors receive fixed fee(s) for their role as members of the Board and Board committee(s) as appropriate. Information about the Directors' remuneration is set out in note 13 to financial statements.

Appointment of non-executive Directors

In assessing suitability of the candidates of non-executive Director, the Nomination Committee will review their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skill matrix, the list of selection criteria approved by the Board and the Board Diversity Policy.

Annual review of non-executive Directors' commitment and independence

The Nomination Committee reviews annually each Director's time commitment to the Company's business. Directors' attendance records in 2022 are disclosed in section A6 above. Non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration.

Professional advice

To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the Company's expense.

B4. Audit Committee

The members of the Audit Committee during the year and as at the date of this report were as follows:

Independent non-executive Directors
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

All of the members of the Audit Committee are independent non-executive Directors. The chairman of the Audit Committee possesses the appropriate professional qualifications, or accounting or financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

The Audit Committee performed the following major works during the year:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2021, the related accounting principles and practices adopted by the Group and internal controls related matters, and recommendation of the reappointment of the external auditor;

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2022, and the related accounting principles and practices adopted by the Group;

– Review of the internal control and risk management matters and internal audit function of the Group, and recommendation to the Board;

– Review of the continuing connected transaction of the Group; and

– Discussion of the Company's preparation for publication of the Environmental, Social and Governance Report under the requirements of the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules.

During the year ended 31 December 2022, the Audit Committee held 3 meetings (the attendance records of each committee member are set out in section A6 above).

The external auditor was invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

B5. Investment and Credit Committee

The members of the Investment and Credit Committee during the year and as at the date of this report as follows:

Executive Directors
Mr. Lau Ka Ho *(Chairman)*
Mr. Chan Hoi Tik *(appointed on 15 July 2022)*
Mr. Fok King Man Ronald *(ceased on 15 July 2022)*

The Investment and Credit Committee has been delegated by the Board the powers in the oversight of the management of the day-to-day activities of the securities investment operation and the money lending operation of the Group.

During the year ended 31 December 2022, the Investment and Credit Committee held 12 meetings (the attendance records of each committee member are set out in section A6 above). The Investment and Credit Committee performed the following major works during the year:

– to oversee and monitor the activities of the securities investment operation of the Group in securities/bonds/funds listed in Hong Kong or overseas and other investment opportunities; and

– to oversee and monitor the activities of the money lending operation of the Group.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Group's risk management and internal control systems have been designed to protect assets from misappropriation and unauthorized transactions and to manage operational risks.

The Board has overall responsibilities for evaluating and determining the nature and extent of the risks (including environmental, social and governance ("ESG") related risks) it is willing to take in achieving the Group's strategic objectives, maintaining sound and effective risk management and internal control systems of the Group (including those for ESG-related risks) on an ongoing basis and reviewing their effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group adopts a complete process of risk management in a functional bottom-up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

The management, in coordination with department heads, in the form of interview and discussion, assessed the likelihood of risk occurrence, ranked these risks according to the likelihood and the severity of the impact on the Group, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management would report to the Audit Committee and the Board on all findings and the effectiveness of the risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems, and makes recommendations.

The Audit Committee also ensures that an overall review of the effectiveness of such systems is conducted at least annually and put forward to the Board for consideration.

During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects of the Group. The systems were considered effective and adequate.

The internal audit function of the Group was carried out by a qualified professional firm appointed by the Board. The effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses identified from the assignments are communicated to the management in resolving material internal control defects.

The Group is committed to high standards of openness, probity, accountability and good corporate governance in conducting its business. A whistleblowing policy was adopted to provide a clear procedure for staff and other stakeholders including customers or suppliers, in reporting concerns of misconduct, malpractice or impropriety when conducting business related to the Group, in good faith. An anti-corruption code of conduct, which outlines the Group's commitment to zero-tolerance towards any form of corruption, bribery, extortion, fraud and money laundering, is in place to assist employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly report or seek guidance where necessary. The Audit Committee is responsible for implementation and oversight of the whistleblowing policy and anti-corruption code of conduct. The Board considers that its whistleblowing and anti-corruption practices and policies are fundamental to good corporate governance.

Regarding the handling and dissemination of inside information, the Group has practice policy in place.

D1. Credit Risk Management and Key Internal Controls Related to Margin Financing Business

The Group's has adopted and implemented its credit and risk control policy on securities operation (particularly margin financing business) to define margin loan policy and standard, form a specific and responsible approval authority and strengthen operational efficiency.

Credit Risk Assessment and Mechanism in Determining Loan Terms

When granting new credit facilities or setting credit limit and margin interest rate for a client and reviewing existing credit facilities, the following factors about a margin client should be taken into account:

a. the financial situation of the client, supported by objective proof (such as the monthly statement of bank deposit/monthly statement of securities account/property asset certificate/collateral value as a proof of the total value of the client's assets);

b. any internal and external credit reference information about the client (such as credit history, occupation/background of client, the status of their associated accounts and related loans);

c. the quality of the underlying collateral and any other credit support (including third-party guarantee, deposit record and investment portfolio of the client);

d. the investment objectives, risk appetite and trading patterns of the client (such as trading history, component of client's investment portfolio); and

e. any known events which may reflect adversely on the financial status or default risk of the client.

In addition to the factor as stated above, the Group shall also have regard to its liquidity profile and capital, the risk profile of its margin loan portfolio and the prevailing market conditions in setting credit limits for margin clients and consider the credit risks of all the clients within a group of connected margin clients are aggregated for the purposes of measuring the exposure to the group as a whole and determining the credit limit of each client within the group and the credit limit of the group as a whole.

Risk Management on Collateral

The maximum loan amount that margin client may obtain is calculated in terms of the market value of the securities collateral recognized by Future Growth Financial Services Limited ("FGFS") ("eligible stock(s)"). FGFS formulates a list of eligible stocks for margin financing and determines a financing ratio at a certain percentage for each eligible stock. To determine whether accepting a particular stock as eligible stock and the relevant financial ratio, the following factors are considered:

a. market value and its reasonableness and sustainability of the valuation;

b. price volatility of the stocks concerned;

c. market liquidity;

d. financial position and situation of the issuer of the stocks concerned;

e. any adverse news about the issuer of the stocks concerned or the issuer's management issues;

f. financing ratios of other banks and brokerages.

Index constituents are generally assigned with a higher financing ratio while non-index constituents are generally assigned with a lower financing ratio. The Group does not offer margin financing for some stocks that are classified as high-risk.

Monitoring of Concentration Risk

The Group has set up policies on monitoring concentration risk on individual securities collateral or groups of connected major securities collateral as well as an individual margin client or group of connected margin clients. Concentration limits on securities collateral and margin clients are set. Regular stress tests on liquid capital and liquidity are performed by the compliance team and reviewed by Responsible Officers ("RO(s)").

Monitoring of Margin Account, Loan Repayment and Recovery

Under the supervision of ROs, the designated team shall perform ongoing monitoring and assessment of loan recoverability and loan collection, including checking the past repayment record of the clients, the financial reputation of the client and the diversity of the client's investment portfolio. Dynamical monitoring of the real-time market information of the investment portfolio of the margin clients is performed throughout day-to-day operations. Margin call will be issued to the margin client when the highest marginable level of the client's position falls below client's outstanding loan amount. The client shall, upon receipt of the margin call, deposit additional cash or eligible stock as collateral or sell the securities held to reduce the position.

Forced Sale and Handling of Outstanding Margin Loans

If the margin client does not respond or take appropriate actions to fulfill our request after the margin call and the client's margin loan ratio reaches the level of forced sale designated by FGFS, forced sale of the relevant pledged securities of the client's position in the open market will be executed. If there is still any unsettled amount of margin loan, the Group will contact the margin client for repayment. If the negotiation is not successful or default in the agreed repayment schedule, the Company will consider entrusting a legal financial institution or external legal advisor to take legal actions or other possible recovery actions.

D2. Credit Risk Management and Key Internal Controls Related to Money Lending Business

The Group strives to adhere to a set of comprehensive policy and procedural manual in respect of loan approval, loan renewal, loan recovery, loan compliance, monitoring and anti-money laundering and counter-terrorist financing.

Credit risk assessment of potential borrowers

The Group performs background check and credit risk assessment on the potential borrowers before granting loans to them by (a) conducting searches on their identities and backgrounds; (b) reviewing and assessing their financial information and statements showing the net asset value or income of the potential borrower; and (c) performing an assessment on their credit worthiness.

The overall credit risk assessment of the potential borrower is determined on a case-by-case basis taking into account various factors, including but not limited to, its repayment history, results of public searches on the potential borrower, whether security and/or collateral will be offered as security, the value and location of the assets owned by the potential borrower and the financial condition of the potential borrower. The Group does not require a minimum amount of net asset value, income or other financial benchmark from its potential borrowers, but potential borrowers with lower income and/or net asset value will be assessed as having an overall higher credit risk. Conversely, for potential borrowers who can provide security and/or collateral, the assessed overall credit risk will generally be lower, but whether security and/or collateral will be offered is determined by the potential borrower when they apply for a loan. Furthermore, for corporate potential borrowers, the Group does not require its principal business operation to be in Hong Kong or have a minimum operation history, but potential borrowers who has a principal business operation overseas or a short operation history will be assessed as having an overall higher credit risk. For individual potential borrowers, the Group does not require the potential borrower to be from any particular age group.

Mechanism in determining the terms of new or renewed loans

When determining the terms of a loan (other than the length of the loan term and the security/collateral to be offered, which were determined by the potential customers when they make their loan application), PFH Finance will analyse, among other things, the cost of providing a particular loan, the credit and other business risks of the loan, the expected rate of return of the loan, the general market conditions, the prevailing market interest rates and the interest rates charged by competitors for loan of similar amount and to loan applicant with similar credit worthiness.

The interest rates offered are determined after considering the following factors: (i) the borrower's historical credit record; (ii) the purpose of the loan; (iii) the debt-to-income ratio of the borrower; (iv) the quality and value of the security and/or collateral offered, if any; (v) the risk and return assessment on the particular borrower; and (vi) market interest rate. The interest rate applicable to each loan is determined on a case-by-case basis, which reflect the risk level for the provision of that particular loan and external market factors. For example, the interest rate offered by the Group will be higher if the potential borrower elects for an unsecured loan than if the potential borrower elects to offer security/collateral for a secured loan. Equally, external market factors will also have an impact on the determination of interest rate offered by the Group. For example, in a rising market interest rate environment, the interest rate offered by the Group will generally be higher if the potential borrowers elects for a longer loan term, and in a declining market interest rate environment, the interest rate offered will generally be lower for longer loan term.

Approval procedures for granting/renewing loans

All loan applications together with the credit and risk assessment report will be reviewed and assessed by the management of PFH Finance. If the management considers that the loan applicant has good repayment ability, the loan will be approved. If the management considers the borrower has moderate or borderline repayment ability, but is still within the acceptable risk level, they may still approve the loan application but with a higher interest rate and/or enquire with the potential borrower if security/collateral of higher value can be offered to compensate for the additional risk. If the management considers that the credit risk is beyond the acceptable level, it will reject the loan application.

Monitoring procedures

In order to monitor the risks associated with loans receivable, subsequent repayment records of each loan receivable are closely monitored and will be reviewed every 6 months by the Group.

Loan recovery procedure

In the event of failure to repay interest or principal amount by the due date, the Group would issue overdue payment reminders to the relevant borrower upon non-payment of 7 days, negotiate with the borrower for the repayment or settlement of the loan, and instruct its legal advisers to issue demand letters to borrowers who did not provide a positive response to payment reminders and negotiation after 30 days of issuance of payment reminders. If no positive response is received within 90 days after the demand letter was issued, the case will be reviewed by the management, who shall decide whether to engage external loan collection agents or commence legal proceedings against the borrower.

Compliance procedure

All interest rates for loans granted were determined based on the Group's internal credit policies, which comply with allowable interest rates of loan under the MLO. The Group's internal policies also require that all loan agreements are prepared based on the requirements prescribed in section 18 of the MLO and an extract of Part III "Money Lenders Transactions" of the MLO is provided to the borrower upon signing of the loan agreement to inform the borrower on the money lender's duties.

Anti-money laundering ("AML") and counter-terrorist financing ("CTF")

The Group's internal policies in relation to customer due diligence, ongoing monitoring, record-keeping and reporting of suspicious transactions follow the "Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Licensed Money Lenders" published by the Licensed Money Lenders Association Limited. The relevant policies are also in compliance with related AML and CTF legislations in Hong Kong, namely the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong), Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong), Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) and United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong).

The Group performs a bankruptcy search on the borrowers who have outstanding loans with the Group every 6 months. If the Group discovers that a borrower has become bankrupt, the Group will fully write off the loan and interest receivables of that borrower.

D3. Credit Risk Management and Key Internal Controls Related to Finance Leasing and Factoring Business

Background

The principal mode of finance lease offered by the Group was the sale-and-leaseback model. The target clients of the finance leasing business were individuals and the target clients of the factoring business were corporations in the mobile phone industry. The Group entered into finance lease arrangements as a lessor for mainly mobile devices and electric motor bikes.

Credit risk assessment and approval procedure

The Group conducted credit risk assessment on its potential finance lease customers before entering into contracts with them by obtaining documentary proof of their identity and assessing their credit worthiness through searches on multiple credit rating database in the PRC. Upon obtaining a clean credit rating search result, the Group would grant the finance lease to the customer upon receiving valid proof of ownership of the mobile device or electric motor bike.

Before entering into contract with potential factoring borrowers, the Group would conduct background checks on the potential borrower, assess the validity and value of the underlying trade receivables, and obtain an understanding of its business operations to formulate a risk assessment profile of the potential borrower.

Monitoring and recovery procedure

In relation to the finance leases, the Group continually monitored the performance of the loan portfolio. Upon non-payment of monthly instalment, a SMS would be automatically sent to the customer to notify them of the overdue payment. Upon non-payment of over 7 days, the Group would contact the customer by phone regularly. Upon non-payment of over 60 days, the lease would be reviewed by management, who should decide whether to engage external loan collection agents or commence legal proceedings against customer.

In relation to the factoring loans, the Group continually monitored the performance of the loan portfolio. In the event of failure to repay interest or principal amount by the due date, the Group would issue overdue payment reminders to the relevant borrower upon non-payment of over 30 days, instruct its legal advisers to issue demand letters for loans overdue for over 90 days, negotiate with the borrower for the repayment or settlement of the loan and, when all other recovery actions had been exhausted, the Group would consider commencing legal actions against the borrower for loans overdue for over 180 days.

E. COMPANY SECRETARY

During the year ended 31 December 2022, Mr. Li Kin Ping has taken not less than 15 hours of relevant professional training.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2022 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to CCTH CPA Limited ("CCTH"), the Company's existing auditor, in respect of audit services and non-audit services for the year ended 31 December 2022 are analyzed below:

Type of services provided by the external auditor	**Fee paid/ payable**
Audit services:	
– Audit fee for the year ended 31 December 2022	HK$2,380,000
Non-audit services:	
– Agreed upon procedures on interim results for the six months ended 30 June 2022 and other restructuring review	HK$769,000
TOTAL:	HK$3,149,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of its corporate information, which enables Shareholders and investors to make the best investment decision.

The Company maintains a website at www.pfh.hk, as a communication platform with Shareholders and investors, where extensive information and updates on the Company's business developments and operations, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 17/F., Fung House, Nos. 19-20 Connaught Road Central, Central, Hong Kong
Fax no.: (852) 3892 6001
Email: ir@pfh.hk

Inquiries are dealt with in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by Shareholders.

2022 Annual General Meeting ("2022 AGM") and Extraordinary General Meeting ("2022 EGM")

The company made uses of holding the annual general meeting and other general meeting as the opportunities to establish constructive dialogue with Shareholders. Separate resolutions are proposed on each substantially separate issue, with all resolutions considered in a poll verified by the Company's Hong Kong branch share registrar and transfer office as the scrutineer.

All the executive Directors and the chairman of the Audit Committee and other Board committees then in office on the meeting date, attended the 2022 AGM in person or by electronic means along with key senior executives and the external auditor, and answered questions raised by Shareholders at the meeting.

Key Matters Resolved at the 2022 AGM

- To receive, consider and adopt the 2021 audited consolidated financial statements
- To re-elect Mr. Lau Ka Ho, Mr. Chan Hoi Tik and Ms. Bu Yanan as Directors
- To re-appoint CCTH CPA Limited as the Company's auditor

- To give a general mandate to repurchase the Company's shares (not exceeding 10 per cent of the total number of shares in issue)

- To give a general mandate to issue the Company's shares (not exceeding 20 per cent of the total number of shares in issue)

All the executive Directors and the chairman of the Audit Committee then in office attented the 2022 EGM in person or by electronic means along with key senior executives, the external auditor and the financial adviser to the Company, answered questions raised by Shareholders at the meeting.

Key Matters Resolved at the 2022 EGM

- To approve, confirm and ratify the Equity Transfer Agreement and the relevant transactions

The full texts of the resolutions of 2022 AGM and 2022 EGM are set out in the notices of the 2022 AGM dated 25 April 2022 and the 2022 EGM dated 9 August 2022 respectively.

2023 Annual General Meeting ("2023 AGM")

The 2023 AGM will be held on Friday, 23 June 2023 at 10:00 a.m. at the 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong. The notice of the 2023 AGM, which constitutes part of a circular to Shareholders, will be sent together with this annual report. The notice, the circular which sets out details of the business to be conducted at the 2023 AGM, and the proxy form will be available on the Company's website and the website of The Hong Kong Exchanges and Clearing Limited. The results of the voting on the proposed resolutions will be published on the Company's website and the website of The Hong Kong Exchanges and Clearing Limited shortly after the 2023 AGM is held.

Shareholders Communication Policy

The Company has a Shareholders Communication Policy to provide directions for dissemination of information about the Company to enable Shareholders to engage actively with the Company and exercise their rights as Shareholders in an informed manner. The Board reviews the said policy annually to ensure its effectiveness. Details of the Shareholders Communication Policy are summarized as below:

1. Information of the Company shall be communicated to Shareholders and the investment community mainly through the following communication channels:

    a. Company's publications such as financial reports (interim and annual reports), results announcements, corporate announcements, circulars and proxy forms ("Corporate Communications");

    b. The Company's website; and

    c. Annual general meetings and other general meetings.

2. Effective, equal and timely dissemination of information to Shareholders and the investment community shall be ensured at all times.

3. To facilitate timely and effective communications and contribute to environmental protection, the Company shall provide options for Shareholders to receive Corporate Communications by electronic means in lieu of receiving printed copies. Shareholders are encouraged to receive electronic form of the Corporate Communications published on the Company's website. Shareholders have the right to choose the language (either English or Chinese) and means of receipt of the Corporate Communications (in hard copy or through electronic means).

4. The website of the Company (www.pfh.hk) provides information on the Company, including communication to Shareholders. In addition, financial and other reports as well as announcements are available on the Company website.

5. Corporate Communications are posted on the Company website as soon as practicable following their publication on the website of The Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

6. The Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and, on poll, vote at meetings for and on their behalf if they are unable to attend the meetings.

7. Board members, appropriate management executives and the external auditor shall attend annual general meetings to answer Shareholders' questions.

8. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments will be addressed to the company secretary of the Company.

9. Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office in Union Registrars Limited.

Having considered the multiple channels of communication in place and shareholders' communication activities conducted, the Board is satisfied that the Shareholders Communication Policy has been properly implemented during 2022 and is effective.

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. The Company's Shareholders may convene an extraordinary general meeting or put forward proposals at Shareholders' meetings as follows:

(1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association by sending a written requisition to the Board or the Company Secretary at the Company's head office/principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.

(2) If a Shareholder wishes to propose a person other than a retiring Director for election as the Director at a general meeting, pursuant to Article 85 of the Company's Articles of Association, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her/its intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office/principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, Shareholder(s) must provide their full name, contact details and identification, in the original signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of Shareholder(s) may be disclosed as required by laws.

During the year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of Shareholders.

All resolutions put forward at shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pfh.hk) after each Shareholders' meeting.

I. CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there had been no significant change in the Company's constitutional documents. The Articles of Association are available on the websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the provision of food and beverage services, provision of financial business, properties holding, provision of temperature-controlled storage and ancillary services and investment holding.

BUSINESS REVIEW

The business review required under Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 4 to 18 of this annual report. This discussion forms part of this "Report of the Directors".

FINANCIAL STATEMENTS

The Group's loss for the year ended 31 December 2022 and the Group's financial position at that date are set out in the financial statements on pages 65 to 211 of this annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 39 to the financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the Shareholders of the Company for the year ended 31 December 2022.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information of the Group for the last five financial years is set out on page 212 of this annual report. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 June 2023 to Friday, 23 June 2023 (both days inclusive) for the purpose of determining the right to attend and vote at the 2023 AGM to be held on Friday, 23 June 2023. In order to be entitled to attend and vote at the 2023 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's branch share registrar and transfer office (i.e. Union Registrars Limited) at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 16 June 2023.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands while most of the Group's operations are performed in the PRC and Hong Kong and the Company is listed on the Stock Exchange. During the year ended 31 December 2022, as far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations that have a significant impact on the Group's business and operation by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties that the Group faces during its operation. Such risks and uncertainties include factors such as global economic conditions, PRC's foreign exchange policies, changes relating to laws and regulations and enforcement policies, and the procurement price and supply. While these risks continue to exist, the Group will closely monitor any signs of these occurrences and all departments of the Group will be involved in identifying and evaluating risks relating to their operational scope. Subsequently, appropriate plans will be devised to minimize the impacts derived from risks and uncertainties confronting the operation of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company attaches great importance to environmental protection and resource conservation, and continuously pays attention to the impact of its business operations on the environment. For details of the Company's environmental policies and performance, please refer to the separate ESG Report published at the same time as the publication of this annual report on the websites of the Company and the Stock Exchange.

DISTRIBUTABLE RESERVES

The Company's share premium account, in the amount of HK$707,705,000, may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$323,584,000.

DIVIDEND POLICY

Under the dividend policy, provided the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the Shareholders.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(i) the general financial condition of the Group;

(ii) capital and debt level of the Group;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the general market conditions; and

(vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association of the Company. The dividend policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 37% of the total sales for the year, and the sales to the Group's largest customer accounted for 16% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 27% of the total purchases for the year, and the purchases from the largest supplier accounted for 7% of the total purchases for the year.

None of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors, own more than 5% of the Company's number of issued shares) had any beneficial interest in the Group's five largest customers or suppliers.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

The Group regards the personal development of its employees as highly important and strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. For details, please refer to the section headed "Employees and Remuneration" in the "Management Discussion and Analysis".

The Company values diversity and inclusion within the workforce and make every effort to attract and retain women. 50% of total workforce (including Directors and/or the senior management) of the Group were female and 50% of total workforce (including Directors and/or the senior management) of the Group were male.

Customers

The Group has strengthened relationships with the existing customers while cultivating relationships with potential customers and has established long-term co-operation relationships with many customers. Our sales team visit customers' offices or arrange face-to-face meetings to approach or keep contact with them and understand their needs and expectations.

Suppliers

The Group has developed long-standing co-operation relationships with the Group's vendors and taken great care to ensure that they can share our commitment to product quality and morality. The Group carefully selected suppliers and required them to satisfy certain assessment criteria, including track records, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness. The Group was not aware of any misconducts in terms of business ethics, environmental protection and labour practice of our key suppliers during the year.

DONATIONS

Donations made by the Group during the year ended 31 December 2022 was nil.

DIRECTORS

The Directors during the year and as at the date of this report were as follows:

Executive Directors

Mr. Lau Ka Ho
Mr. Chan Hoi Tik
Mr. Fok King Man Ronald *(resigned on 15 July 2022)*

Non-executive Directors

Mr. Sze Wine Him Jaime
Mr. Li Zhouxin *(resigned on 30 November 2022)*

Independent Non-executive Directors

Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Pursuant to Article 84 of the Company's Articles of Association, Ms. Chan Sze Man and Mr. Ma Kwun Yung Stephen will retire from office as Directors by rotation at the 2023 AGM. All of the above two retiring Directors are eligible for re-election at the 2023 AGM.

It is noted that Ms. Chan Sze Man and Mr. Ma Kwun Yung Stephen will offer themselves for re-election at the 2023 AGM.

DIRECTORS BIOGRAPHIES

Biographical details of the Directors are set out on pages 19 to 20 of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors and the non-executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than one month or three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than one month's notice in writing served by either party on the other.

There was no service contract entered into by the Company and any Directors to be re-elected in the forthcoming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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 existed during the year.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those transactions disclosed in note 48 to the financial statements and in the section headed "Continuing Connected Transaction" below, none of Directors or their connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EQUITY-LINKED AGREEMENTS

Other than the 2011 Share Option Scheme and 2021 Share Option Scheme of the Company (the "Share Option Schemes") as disclosed under section headed "Share Option Schemes" of this report, no equity-linked agreements that will or may result in the Company issuing shares were entered into by the Company during the year and subsisted at the end of the year.

SHARE OPTION SCHEMES

On 22 June 2011, the Company operated a share option scheme (the "2011 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. The 2011 Share Option Scheme had a life of 10 years and was expired on 21 June 2021 such that no further options shall thereafter be granted under the 2011 Share Option Scheme but the options, which had been granted during its life, shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2011 Share Option Scheme shall remain in full force and effect. A new share option scheme was adopted by the Shareholders at the annual general meeting of the Company on 25 June 2021 (the "2021 Share Option Scheme"). The 2021 Share Option Scheme has a life of 10 years and no options were granted since the date of its adoption.

Details of the Share Option Schemes are disclosed in note 40 to the financial statements.

As at the date of this annual report, the total number of shares of the Company available for issue under the 2021 Share Option Scheme upon exercise of all outstanding share options granted was 191,212,300 shares, representing approximately 8.4% of the number of issued shares of the Company.

The following table discloses movements of the Company's share options, granted under the 2011 Share Option Scheme, during the year ended 31 December 2022:

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2022	Exercise period *(Note 2)*
Non-executive Director									
Mr. Li Zhouxin	21 June 2012	2.94	90,000	–	–	–	(90,000)	–	B
(resigned on 30 November 2022)			90,000	–	–	–	(90,000)	–	C
			180,000	–	–	–	(180,000)	–	
	26 September 2014	1.83	120,000	–	–	–	(120,000)	–	D
			90,000	–	–	–	(90,000)	–	E
			90,000	–	–	–	(90,000)	–	F
			300,000	–	–	–	(300,000)	–	
	18 January 2016	0.81	400,000	–	–	–	(400,000)	–	G
			300,000	–	–	–	(300,000)	–	H
			300,000	–	–	–	(300,000)	–	I
			1,000,000	–	–	–	(1,000,000)	–	
Sub-total			*1,480,000*	–	–	–	*(1,480,000)*	–	
Executive Director									
Mr. Chan Hoi Tik	22 January 2021	0.084	18,000,000	–	–	–	–	18,000,000	M

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2022	Exercise period *(Note 2)*
Former Directors	21 June 2012	2.94	1,544,000	–	–	–	(1,544,000)	–	A
			1,158,000	–	–	–	(1,158,000)	–	B
			1,158,000	–	–	–	(1,158,000)	–	C
			3,860,000	–	–	–	(3,860,000)	–	
	26 September 2014	1.83	3,040,000	–	–	–	–	3,040,000	D
			2,280,000	–	–	–	–	2,280,000	E
			2,280,000	–	–	–	–	2,280,000	F
			7,600,000	–	–	–	–	7,600,000	
	18 January 2016	0.81	4,440,000	–	–	–	–	4,440,000	G
			3,330,000	–	–	–	–	3,330,000	H
			3,330,000	–	–	–	–	3,330,000	I
			11,100,000	–	–	–	–	11,100,000	
Sub-total			*22,560,000*	–	–	–	*(3,860,000)*	*18,700,000*	
Total for Directors			**42,040,000**	**–**	**–**	**–**	**(5,340,000)**	**36,700,000**	

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2022	Exercise period *(Note 2)*
Employees of the Group in aggregate	21 June 2012	2.94	702,600	–	–	–	(702,600)	–	A
			1,087,200	–	–	–	(1,087,200)	–	B
			1,078,200	–	–	–	(1,078,200)	–	C
			2,868,000	–	–	–	(2,868,000)	–	
	26 September 2014	1.83	5,596,000	–	–	–	(5,596,000)	–	D
			4,197,000	–	–	–	(4,197,000)	–	E
			4,197,000	–	–	–	(4,197,000)	–	F
			13,990,000	–	–	–	(13,990,000)	–	
	18 January 2016	0.81	6,414,600	–	–	–	(6,414,600)	–	G
			4,810,950	–	–	–	(4,810,950)	–	H
			4,810,950	–	–	–	(4,810,950)	–	I
			16,036,500	–	–	–	(16,036,500)	–	
Total for employees			**32,894,500**	**–**	**–**	**–**	**(32,894,500)**	**–**	
Distributors of the Group in aggregate	20 January 2016	0.81	3,880,000	–	–	–	–	3,880,000	J
			2,910,000	–	–	–	–	2,910,000	K
			2,910,000	–	–	–	–	2,910,000	L
Total for distributors			**9,700,000**	**–**	**–**	**–**	**–**	**9,700,000**	
TOTAL			**84,634,500**	**–**	**–**	**–**	**(38,234,500)**	**46,400,000**	

Notes:

1. The closing prices of the Company's shares immediately before the dates of grant on 21 June 2012, 26 September 2014, 18 January 2016, 20 January 2016 and 22 January 2021 were HK$2.94, HK$1.86, HK$0.64, HK$0.67 and HK$0.083, respectively.

2. The respective exercise periods of the share options granted are as follows:

   A: From 21 June 2013 to 20 June 2022
   B: From 21 June 2014 to 20 June 2022
   C: From 21 June 2015 to 20 June 2022
   D: From 26 September 2015 to 25 September 2024
   E: From 26 September 2016 to 25 September 2024
   F: From 26 September 2017 to 25 September 2024
   G: From 18 January 2017 to 27 December 2025
   H: From 18 January 2018 to 27 December 2025
   I: From 18 January 2019 to 27 December 2025
   J: From 20 January 2017 to 27 December 2025
   K: From 20 January 2018 to 27 December 2025
   L: From 20 January 2019 to 27 December 2025
   M: From 22 January 2021 to 21 January 2031

   The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The number and/or exercise price of the options may be subject to adjustments in the case of rights or bonus issues, or other changes in the Company's share capital.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests of the Directors in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code", Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the ordinary shares of the Company

Name of Director	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company issued share capital
Mr. Lau Ka Ho	Beneficial owner	18,000,000	0.79%

+ The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2022.

B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of Director	Nature of interests	Number of underlying shares interested	Percentage+ of underlying shares over the Company's issued share capital
Mr. Chan Hoi Tik	Beneficial owner	18,000,000	0.79%

\+ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2022.

Save as disclosed above and in the above section headed "Share Option Schemes", as at 31 December 2022, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company

Name of substantial Shareholders	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Golden Sparkle Limited	Beneficial owner *(Note)*	551,686,500	24.25%
Mr. Lai Wai Lam Ricky	Interest of controlled corporation *(Note)*	551,686,500	24.25%

Note:

These shares were held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky was deemed to be interested in these shares pursuant to Part XV of the SFO.

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2022.

Save as disclosed above and in the above section headed "Share Option Schemes", as at 31 December 2022, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

During the year, the Group has not entered into any continuing connected transaction that is not exempted under the Listing Rules. The Directors have confirmed that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

As set out in note 48 to financial statements contained in this annual report, certain related party transactions for the year ended 31 December 2022 also constituted connected transactions of the Group, except for those related party transactions with the Group's "associates" defined under the applicable accounting standards as covered in note 48(i)(a) and note 48(i)(b) to financial statements. As confirmed by the Directors of the Company, such connected transactions were fully exempted from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A.76(1) of the Listing Rules. The Directors have confirmed that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to its Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of Directors' remuneration are set out in note 13 to financial statements.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Apart from the Company's Share Option Schemes, neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the object or one of the objects of such arrangement are/is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

CONTRACT OF SIGNIFICANCE

Except for set out in the note 48 to financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries during the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors and its related companies is currently in force and were in force throughout the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this annual report.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive Directors, has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022, and discussed with the management and the auditor of the Company, CCTH CPA Limited, on the accounting principles and practices, financial reporting process, internal control adopted by the Group, with no disagreement by the Audit Committee of the Company.

AUDITOR

CCTH will retire at the 2023 AGM and, being eligible, offered themselves for re-appointment. A resolution for the reappointment of CCTH as the auditor of the Company will be proposed at the 2023 AGM.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Subsequent to the end of reporting period, trade receivables from two major margin clients have been recovered by HK$32,169,000 under the force liquidation of these margin client collaterals implemented by the Company after the revaluation on credit risk of these clients. After the liquidation of these collaterals, on 9 January 2023, the remaining unsecured margin loan balance to these clients would be approximately HK$10,039,000. The Company is still in the course of negotiating with these margin clients in collecting such margin loan balance. Since the above-mentioned default event occurred after the year end, no provision adjustment should be made in the consolidated financial statements for the year ended 31 December 2022.

ON BEHALF OF THE BOARD
Lau Ka Ho
Chief Executive Officer and Executive Director

24 March 2023

CCTH CPA LIMITED
中正天恆會計師有限公司

To the shareholders of Prosperous Future Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Prosperous Future Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 65 to 211, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Valuation of investment properties

Refer to note 18 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the Group had investment properties with the carrying amount of approximately HK$52,250,000. All of the Group's investment properties are carried at fair value. The fair value valuations, which were carried out by an external professional valuer, are based on direct comparison method that involve management's significant judgment of unobservable inputs. Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in note 18 to the consolidated financial statements. We focused on the valuation of investment properties as a key audit matter due to the significance of the carrying amount to the consolidated financial statements as a whole, combined with the significant judgments associated in the determination of the fair value.	Our procedures in relation to the valuation of the investment properties included: – We evaluated the independence, competence, capabilities and objectivity of the external professional valuer; – We obtained an understanding of the valuation process and techniques adopted by the external professional valuer to assess if they are consistent with industry norms; and – We made enquiry of the external professional valuer to assess the reasonableness of the significant unobservable inputs and validating the accuracy of the source data adopted by the management and the external professional valuer by comparing them, on a sample basis, to where relevant, publicly available information of similar comparable properties and our understanding of the real estate industry.

KEY AUDIT MATTERS (continued)

Impairment assessment for properties for development

Refer to note 19 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group's properties for development are carried at cost less impairment losses. As at 31 December 2022, the carrying amount of the Group's properties for development is approximately HK$69,000,000. Impairment loss on properties for development amounted to approximately HK$25,800,000 was recognised in profit or loss in respect of the current year, which is calculated based on their fair value less costs of disposal by reference to their estimated sale prices valued by an external professional valuer. We identified the impairment assessment of the Group's properties for development as a key audit matter due to the significant judgments involved in the determination of the recoverable amount of the properties and the significance of their carrying amount to the consolidated financial statements.	Our procedures in relation to the impairment assessment of the properties for development included: – We evaluated the independence, competence, capabilities and objectivity of the external professional valuer; – We obtained an understanding of the valuation process and techniques adopted by the external professional valuer to assess if they are consistent with industry norms; and – We made enquiry of the external professional valuer to assess the reasonableness of the significant unobservable inputs and validating the accuracy of the source data adopted by the management and the external professional valuer by comparing them, on a sample basis, to publicly available information of similar comparable properties and our understanding of the real estate industry.

KEY AUDIT MATTERS (continued)

Recoverability of trade and bills receivables

Refer to note 24 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the Group had trade and bills receivables with a total carrying amount of approximately HK$136,848,000, of which accumulated impairment losses amounting to approximately HK$3,777,000 has been made. Evaluation of the recoverability of trade and bills receivables involved management judgment in assessing the allowance for doubtful debts for individual receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty. We have identified impairment assessment of trade and bills receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.	Our procedures in relation to management's impairment assessment on trade and bills receivables included: – We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. – We reviewed the agreements and other relevant documents relating to the receivables by the Group. – We assessed the classification and accuracy of individual balances in receivables ageing report by testing the underlying invoices on a sample basis. – We reviewed the subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluated the allowance for doubtful debts made by the management for these individual balances. – We assessed the appropriateness of the expected credit loss positioning methodology, by examining the key input data on a sample bases, to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

KEY AUDIT MATTERS (continued)

Impairment assessment of goodwill

Refer to note 20 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the Group had goodwill with a total carrying amount of HK$40,781,000, of which accumulated impairment losses amounting to approximately HK$7,851,000 has been made. In determining the amount of impairment loss for goodwill, the recoverable amount, which is the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated, was estimated by reference to the business valuations of the CGUs performed by an external professional valuer. The value in use is based on cash flow forecast of the CGU and takes into account the key assumptions used by management, including discount rate, growth rate, budgeted sales and gross margin. We identified the impairment assessment of goodwill as a key audit matter due to the significant judgments and assumptions used in the estimation of the recoverable amounts of the relevant CGUs and the calculation of the impairment losses.	Our procedures in relation to impairment assessment of goodwill included: – We obtained an understanding on how the management perform impairment assessment including the preparation of cash flow forecast and assumptions estimation; – We evaluated the external professional valuer's independence, competence, capabilities and objectivity; – We evaluated the appropriateness of the key assumptions in the cash flow forecast, including growth rate, gross profit margin and inflation, by discussing with the management and the external professional valuer with reference to their expectations for market development and comparing with the historical financial performance available; – We performed arithmetical checking on the business valuations of the CGUs performed by the external professional valuer; and – We assessed the appropriateness of the discount rate used on discount rate and assessing the impact on the value in use.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with HKSAs, 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.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 24 March 2023

Kwong Tin Lap
Practising certificate number: P01953

Unit 1510-1517, 15/F., Tower 2, Kowloon Commerce Centre,
No. 51 Kwai Cheong Road, Kwai Chung, New Territories,
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 HK$'000 (Restated)
Continuing operations			
Revenue	5	**509,359**	602,689
Cost of sales		**(405,045)**	(474,176)
Gross profit		**104,314**	128,513
Other income and gains	7	**5,089**	7,276
Loss on change in fair value of investment properties	18	**(7,069)**	(7,800)
Selling and distribution expenses		**(38,681)**	(36,918)
Administrative expenses		**(92,516)**	(83,558)
Other expenses	8	**(35,550)**	(4,651)
Finance costs	9	**(2,243)**	(3,729)
Loss before tax	10	**(66,656)**	(867)
Income tax expense	11	**(2,407)**	(1,968)
Loss for the year from continuing operations		**(69,063)**	(2,835)
Discontinued operations			
Loss for the year from discontinued operations	12	**(31,735)**	(97,049)
Loss for the year		**(100,798)**	(99,884)
Loss for the year attributable to equity holders of the Company		**(88,857)**	(104,891)
(Loss)/profit for the year attributable to non-controlling interests		**(11,941)**	5,007
Loss for the year		**(100,798)**	(99,884)
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss in subsequent periods:			
Loss on change in fair value of financial assets at fair value through other comprehensive income		**(27,940)**	(2,319)
		(27,940)	(2,319)

	Notes	2022 HK$'000	2021 HK$'000 (Restated)
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Hong Kong		**1,425**	411
Exchange reserve realised on disposal of foreign operations		**5,404**	–
		6,829	411
Total other comprehensive expense for the year		**(21,111)**	(1,908)
Total comprehensive expense for the year		**(121,909)**	(101,792)
Total comprehensive expense for the year attributable to equity holders of the Company		**(109,968)**	(106,799)
Total comprehensive (expense)/income for the year attributable to non-controlling interests		**(11,941)**	5,007
Total comprehensive expense for the year		**(121,909)**	(101,792)

		2022 HK$ cents	2021 HK$ cents (Restated)
Loss per share from continuing and discontinued operations	15		
Basic		**(3.9)**	(5.1)
Diluted		**N/A**	N/A

		2022 HK$ cents	2021 HK$ cents (Restated)
Loss per share from continuing operations	15		
Basic		**(2.5)**	(0.4)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000 (Restated)	As at 1 January 2021 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	**4,055**	132,805	121,953
Right-of-use assets	17	**14,742**	29,263	29,116
Investment properties	18	**52,250**	77,200	85,000
Properties for development	19	**69,000**	94,800	98,500
Goodwill	20	**40,781**	45,281	40,781
Interest in associates		**–**	–	7,126
Financial assets at fair value through other comprehensive income	21	**17,478**	61,848	32,363
Deferred tax assets	38	**2,461**	1,622	1,810
Finance lease receivables	27	**–**	5,676	13,303
Factoring receivables		**–**	214	89
Loan and interest receivables	23	**424**	4,842	4,659
Prepayments, deposits and other receivables	25	**2,425**	1,677	1,677
		203,616	455,228	436,377
CURRENT ASSETS				
Inventories	22	**40,094**	103,874	57,317
Finance lease receivables	27	**–**	4,762	28,309
Factoring receivables		**–**	2,697	3,716
Loan and interest receivables	23	**2,078**	22,814	35,709
Trade and bills receivables	24	**136,848**	236,536	336,897
Prepayments, deposits and other receivables	25	**55,378**	109,181	142,089
Contract assets	28	**3,797**	4,302	1,932
Amount due from a joint venture		**–**	–	2,802
Other financial assets	26	**–**	21,243	44,081
Income tax recoverable		**255**	1,188	896
Pledged bank deposits	29	**3,000**	27,217	45,217
Cash held on behalf of clients	30	**161,270**	102,230	132,879
Cash and bank balances	29	**307,094**	445,293	426,604
		709,814	1,081,337	1,258,448
CURRENT LIABILITIES				
Trade and bills payables	31	**171,408**	439,413	423,759
Other payables and accruals	32	**45,192**	94,086	51,505
Bank and other borrowings	33	**13,230**	162,098	187,764
Promissory notes payable	34	**–**	2,250	–
Amounts due to associates	35	**–**	–	122,519
Amounts due to non-controlling interests	36	**3,918**	903	1,734
Lease liabilities	37	**10,859**	10,795	7,832
Income tax payable		**3,718**	5,595	9,672
		248,325	715,140	804,785
NET CURRENT ASSETS		**461,489**	366,197	453,663

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000 (Restated)	As at 1 January 2021 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**665,105**	821,425	890,040
NON-CURRENT LIABILITIES				
Lease liabilities	37	**(5,867)**	(15,305)	(17,085)
Deferred tax liabilities	38	**(88)**	(18,241)	(17,535)
		(5,955)	(33,546)	(34,620)
NET ASSETS		**659,150**	787,879	855,420
EQUITY				
Share capital	39	**22,741**	22,741	18,101
Reserves	41	**602,493**	712,461	785,903
Equity attributable to equity holders of the Company		**625,234**	735,202	804,004
Non-controlling interests		**33,916**	52,677	51,416
TOTAL EQUITY		**659,150**	787,879	855,420

The consolidated financial statements on pages 65 to 211 were approved and authorised for issue by the board of directors on 24 March 2023 and are signed on its behalf by:

Lau Ka Ho
Director

Chan Hoi Tik
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to equity holders of the Company										
	Notes	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	FVTOCI revaluation reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022		22,741	707,705	36,340	13	(103,912)	20	(6,829)	79,124	735,202	52,677	787,879
Loss for the year		–	–	–	–	–	–	–	(88,857)	(88,857)	(11,941)	(100,798)
Other comprehensive (expense)/income												
Exchange differences on translation of operations outside Hong Kong		–	–	–	–	–	–	1,425	–	1,425	–	1,425
Exchange reserve realised on disposal of foreign operations		–	–	–	–	–	–	5,404	–	5,404	–	5,404
Loss on change in fair value of financial assets at FVTOCI, net of tax		–	–	–	–	(27,940)	–	–	–	(27,940)	–	(27,940)
Total comprehensive (expense)/income for the year		–	–	–	–	(27,940)	–	6,829	(88,857)	(109,968)	(11,941)	(121,909)
Dividend paid to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	(6,688)	(6,688)
Disposal of subsidiary		–	–	–	–	–	–	–	–	–	(132)	(132)
Transferred to retained profits upon forfeiture/lapse of share options		–	–	(23,263)	–	–	–	–	23,263	–	–	–
Transferred to retained profits on disposal of financial assets at FVTOCI		–	–	–	–	8,380	–	–	(8,380)	–	–	–
At 31 December 2022		22,741	707,705	13,077	13	(123,472)	20	–	5,150	625,234	33,916	659,150

	Notes	Share capital HK$'000 (Restated)	Share premium HK$'000 (Restated)	Share option reserve HK$'000 (Restated)	Capital reserve HK$'000 (Restated)	FVTOCI revaluation reserve HK$'000 (Restated)	Capital redemption reserve HK$'000 (Restated)	Exchange fluctuation reserve HK$'000 (Restated)	Retained profits HK$'000 (Restated)	Total HK$'000 (Restated)	Non-controlling interests HK$'000 (Restated)	Total equity HK$'000 (Restated)
		Attributable to equity holders of the Company										
At 1 January 2021		18,101	676,652	42,907	13	(101,593)	20	(7,240)	175,144	804,004	51,416	855,420
Loss for the year		–	–	–	–	–	–	–	(104,891)	(104,891)	5,007	(99,884)
Other comprehensive expense												
Exchange differences on translation of operations outside Hong Kong		–	–	–	–	–	–	411	–	411	–	411
Loss on change in fair value of financial assets at FVTOCI, net of tax		–	–	–	–	(2,319)	–	–	–	(2,319)	–	(2,319)
Total comprehensive (expense)/income for the year		–	–	–	–	(2,319)	–	411	(104,891)	(106,799)	5,007	(101,792)
Dividend paid to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	(3,746)	(3,746)
Issue of shares		3,620	20,992	–	–	–	–	–	–	24,612	–	24,612
Issue of new shares upon exercise of share options		1,020	10,476	(2,928)	–	–	–	–	–	8,568	–	8,568
Non-controlling interests arisen from acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–*	–
Recognition of equity-settled share-based payments		–	–	5,232	–	–	–	–	–	5,232	–	5,232
Share issue expenses		–	(415)	–	–	–	–	–	–	(415)	–	(415)
Transferred to retained profits upon cancellation of share options		–	–	(1,677)	–	–	–	–	1,677	–	–	–
Transferred to retained profits upon forfeiture of share options		–	–	(7,194)	–	–	–	–	7,194	–	–	–
At 31 December 2021		22,741	707,705	36,340	13	(103,912)	20	(6,829)	79,124	735,202	52,677	787,879

* The amount is less than HK$1,000

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
– Continuing operations		**(66,656)**	(867)
– Discontinued operations		**(49,124)**	(92,595)
		(115,780)	(93,462)
Adjustments for:			
Finance costs		**4,155**	6,020
Interest income from bank deposits		**(491)**	(1,917)
Income derived from other financial assets		**–**	(185)
Gain on cancellation of promissory notes	7	**(450)**	–
Gain on disposal of associates		**–**	(1,554)
Loss/(gain) on disposal of subsidiaries	43	**3,919**	(2,379)
Gain on disposal of property, plant and equipment, net		**–**	(2,050)
Depreciation of property, plant and equipment	16	**14,898**	22,554
Depreciation of right-of-use assets	17	**11,568**	10,070
Loss on changes in fair value of investment properties	18	**7,069**	7,800
Impairment loss on goodwill	20	**675**	–
Impairment loss on properties for development	19	**25,800**	3,700
Impairment loss on finance lease receivables		**3,159**	9,073
Impairment loss on trade receivables	24	**3,558**	8,372
Impairment loss on property, plant and equipment	16	**6,191**	–
Reversal of impairment loss on loan and interest receivables	23	**(1,717)**	(141)
Loan and interest receivables written off	23	**–**	679
Equity-settled share-based payment		**–**	5,232
Share of loss of associates		**–**	1,554
Operating cash flows before movements in working capital		**(37,446)**	(26,634)
Increase in inventories		**(21,698)**	(46,683)
Decrease in finance lease receivables		**6,954**	22,101
Decrease in factoring receivables		**1,557**	894
Decrease in loan and interest receivables		**26,871**	12,174
(Decrease)/increase in trade and bills receivables		**(76,195)**	92,312
Decrease in prepayments, deposits and other receivables		**28,234**	32,184
Decrease/(increase) in contract assets		**505**	(2,370)
Decrease in amount due from a joint venture		**–**	2,802
(Decrease)/increase in cash held on behalf of clients		**(59,040)**	30,649
Increase in trade and bills payables		**59,406**	16,884
Increase in other payables and accruals		**33,993**	42,316
Decrease in amounts due to associates		**–**	(122,519)
Decrease in amounts due to non-controlling interests		**(329)**	(460)
Exchange realignment		**(929)**	5,418
Cash generated from operations		**(38,117)**	59,068
Interest received		**491**	1,917
Interest paid	44	**(3,955)**	(4,960)
Income tax paid		**(4,312)**	(10,322)
Net cash (used in)/generated from operating activities		**(45,893)**	45,703

	Notes	2022 HK$'000	2021 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(14,037)**	(30,388)
Proceeds from disposal of property, plant and equipment		**210**	3,322
Addition of investment properties		**(5,319)**	–
Disposal of investment properties		**23,200**	–
Purchase of financial assets at fair value through other comprehensive income		**–**	(31,804)
(Decrease)/increase of other financial assets		**6,003**	22,838
Net cash outflow from acquisition of subsidiaries	42	**–**	(1,725)
Net cash (outflow)/inflow from disposal of subsidiaries	43	**(24,512)**	567
Proceeds from disposal of an associate		**–**	7,126
Decrease in pledged bank deposits		**10,170**	18,000
Income from other financial assets received		**–**	185
Net cash used in investing activities		**(4,285)**	(11,879)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares arising from exercise of share options		**–**	8,568
Proceeds from issue of shares	39	**–**	24,612
Share issue expenses		**–**	(415)
Payment of lease liabilities	44	**(11,495)**	(9,393)
Drawdown of bank loans		**136,955**	188,169
Repayment of bank loans		**(141,585)**	(161,126)
Repayment of other loans		**(70,210)**	(57,227)
Payment of dividend to non-controlling interests		**(3,344)**	(3,746)
Net cash used in financing activities		**(89,679)**	(10,558)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(139,857)**	23,266
Cash and cash equivalents at beginning of the year		**445,293**	426,604
Effects of foreign exchange rate changes, net		**1,658**	(4,577)
Cash and cash equivalents at the end of the year		**307,094**	445,293
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**307,094**	445,293

1. GENERAL INFORMATION

Prosperous Future Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at 17/F., Fung House, Nos. 19-20 Connaught Road Central, Central, Hong Kong.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the provision of food and beverage services, provision of financial business, properties holding, provision of temperature-controlled storage and ancillary services and investment holding.

During the year, the Group discontinued its operations in certain subsidiaries, which were engaged in manufacturing and sale of personal care products and provision of financial business (the "Discontinued Operations"). Details are set out in note 12.

The comparative information in respect of the consolidated statement of profit or loss and other comprehensive income, together with notes thereon for the year ended 31 December 2021 has been restated, where appropriate, in order to conform with the current year's presentation of the Discontinued Operations separately from continuing operations.

The functional currency of the Company was changed from Renminbi ("RMB") to Hong Kong dollars ("HK$") upon completion of disposal of subsidiaries engaged in manufacturing and sale of personal care products (the "Disposal"). Subsequent to the Disposal, the Company mainly holds subsidiaries whose underlying operations are primarily in Hong Kong with HK$ being the functional currency. The directors of the Company have determined that HK$ better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding subsidiaries with primary economic environment in Hong Kong. Accordingly, the functional currency of the Company was changed prospectively from the date of Disposal.

Having considered that the Company's shares are listed on the Stock Exchange and its stock is traded in HK$, the Company believes that the change of presentation currency enables the shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance. As such, the Company believes that it is more appropriate to adopt HK$ as its presentation currency for the consolidated financial statements of the Group. Comparative figures have been restated to reflect the change in the Group's presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB") 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 IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs 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 IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 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.

The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

3.1 Basis of preparation of consolidated financial statements

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("Listing Rules"). For the purpose of preparation of the consolidated financial statement, information is considered material if such information is reasonably expected to influence decisions made by primary users.

Going concern assessment

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

Change of presentation currency

During the year, the Group changed presentation currency from RMB to HK$. The HK$ has been adopted as presentation currency as it represents the predominant functional currency within the Group considering the size and scale of the Group's continuing operations.

Change in presentation currency has been accounted for retrospectively in accordance with IAS 8 "Accounting policies, change in accounting estimates and errors". Net profit, comprehensive income, total assets and total equity are unaffected by these presentational changes apart from the translation from RMB to HK$ as further detailed below.

Following the change in presentation currency, the financial information as previously reported has been re-translated in accordance with the provisions in IAS 21 using the procedures outlined below, as if HK$ had always been the Group's presentational currency:

- Assets and liabilities of foreign operations where the functional currency is not HK$ have been translated into HK$ at the relevant closing rates of exchange. Profit and loss items were translated into HK$ at the relevant average rates of exchange. Differences arising from the retranslation of the opening net assets and the results for the year are recognised in the exchange fluctuation reserve; and

- Share capital, share premium and other reserves were translated at historical rates prevailing at the dates of transactions.

In addition to the comparative information in respect of the previous period provided in these consolidated financial statements, the Group presents an additional balance sheet as at 1 January 2021 due to the change of presentation currency in accordance with IAS 1 "Presentation of Financial Statements".

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

3.1 Basis of preparation of consolidated financial statements (continued)

Basis of preparation

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

3.1 Basis of preparation of consolidated financial statements (continued)

Basis of preparation (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, based on the degree to which the inputs to the fair value measurements are observable and the significance of the input 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.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurement in its entirety) at the end of each reporting period.

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 Company 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.

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 when the Group gains control until the date the Group ceases to control the subsidiary.

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

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

All intra group 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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 interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. 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 (that is, reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). 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 IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

3.2 Significant accounting policies (continued)

Business combination or assets acquisitions

Optional concentration test

Effective from 1 January 2020, 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 asset 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.

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

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 issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

3.2 Significant accounting policies (continued)

Business combination or assets acquisitions (continued)

Business combinations (continued)

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 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 IFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts 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 entity's net assets in the event of liquidation may be initially measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

3.2 Significant accounting policies (continued)

Business combination or assets acquisitions (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (that is, the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

3.2 Significant accounting policies (continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. The financial statements of associates and joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On the acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

The Group discontinues the use of the equity method from the date when the entity ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of the interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associates or joint ventures.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not held by the Group.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

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

3.2 Significant accounting policies (continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Property, plant and equipment

Property, plant and equipment include buildings held for use in the production or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are carried in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to their relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire property is classified as property, plant and equipment.

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

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

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

3.2 Significant accounting policies (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected. 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.

For a transfer to investment properties from owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus or deficit in accordance with the policy stated under "Property, plant and equipment and depreciation" above. On the disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserve.

Properties for development

Properties for development is carried at cost less any impairment losses. Cost of the properties includes purchase consideration and other attributable costs of acquisition.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the 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.

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

3.2 Significant accounting policies (continued)

Impairment of non-financial assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. The recoverable amount of tangible and intangible assets is estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

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

3.2 Significant accounting policies (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

Inventories

Inventories are carried at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties for development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties for development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties for development are transferred to properties for sale upon completion.

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

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

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

Interest income which is 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.

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)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

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

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated as at FVTPL. 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.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(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 (see below). For financial asset 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.

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)

(ii) Equity instruments designated as at 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 other comprehensive income ("OCI") and accumulated in the FVTOCI revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on the disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive 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 FVTOCI 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 excludes any dividend or interest earned on the financial asset and is included in the "revenue" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including finance lease receivables, factoring receivables, loan and interest receivables, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, contract assets, amount due from a joint venture, pledged bank deposits, cash held on behalf of clients and cash and bank balances) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for finance lease receivables, trade and bills receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

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 (continued)

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, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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.

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 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(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 trade receivables, 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.

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 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (that is, the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. 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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (that is, the Group's trade and other receivables are each assessed as a separate group. Loans receivable are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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 trade receivables where the corresponding adjustment is recognised through a loss allowance account.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as 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.

Equity instruments

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

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

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

Financial liabilities, including trade and bills payables, other payables and accruals, bank and other borrowings, promissory notes payable, and amount due to a related party, associates, a joint venture and non-controlling interest, are subsequently measured at amortised cost, using the effective interest method.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount 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.

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, that is, when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods 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 and 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 goods or service.

Income from food and beverage business represents sales of frozen food and beverage products which is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers, being when the goods have been delivered to the customers.

Income from cold store service represents provision of storage services for frozen food and beverage products which is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

Income from provision of professional services mainly includes (i) services rendered for fund set up is recognised over time in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided, (ii) fund administration and consultancy services which are recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit provided by the Group as the Group performs and revenue can be measured reliably and (iii) other corporate services which are recognised at a point in time when the services for the transactions are completed under the terms of each engagement, as only at that time the Group has a present right to payment from the customers for the service performed.

Income from the provision of services regarding dealing in securities and futures contracts is recognised at a point in time on a trade date basis when the relevant transactions are executed.

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)

Income from asset management and advising on securities services is recognised on an over time over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

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 IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, that is, only the passage of time is required before payment of that consideration is due.

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

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

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or services separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it by using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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 (that is, the Group is a principal) or to arrange for those goods or services to be provided by the other party (that is, 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.

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

3.2 Significant accounting policies (continued)

Principal versus agent (continued)

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.

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 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".

Research and development costs

Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, costs can be measured reliably, there is an intention to complete and use it, there is an ability to use it, there will be a probable future economic benefits inflow and there are adequate resources to complete and use it. Other development expenditures are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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 or arising from business combinations on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 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.

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

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property, plant and equipment, and land that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of a right-of-use asset includes:

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

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the estimated useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

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)

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 and are initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and are 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 includes:

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

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)

Lease liabilities (continued)

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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 assets. 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.

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)

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (that is, the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in IFRS 16 (see the accounting policy above) to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

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

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 lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by a manufacturer or a dealer lessor) are included in the initial measurement of the net investments in the leases. Initial direct costs for leases in which the Group is the manufacturer or dealer lessor are recognised in costs of sales at the commencement date of the finance leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments occur.

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

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 lessor (continued)

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under IFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

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 lessor (continued)

(ii) Finance leases

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments (see accounting policy below).

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 recorded in the respective functional currency (that is, the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

3.2 Significant accounting policies (continued)

Foreign currencies (continued)

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 (that is, RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, and 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.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. Settlements of monetary items which formed part of net investment in foreign operations without changes in the Group's ownership interests is not considered as partial disposals.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into HK$ at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

3.2 Significant accounting policies (continued)

Retirement benefit costs

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to profit or loss in respect of the period as they become payable in accordance with the rules of the central pension scheme.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

3.2 Significant accounting policies (continued)

Retirement benefit costs (continued)

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

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

3.2 Significant accounting policies (continued)

Retirement benefit costs (continued)

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-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 IFRS 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, annual leave and sick leave) after deducting any amount already paid.

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

3.2 Significant accounting policies (continued)

Share-based payment transactions

Share-based payment transactions of the Company

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

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

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

3.2 Significant accounting policies (continued)

Share-based payment transactions (continued)

Share-based payment transactions of the Company (continued)

Equity-settled share-based payment transactions (continued)

Shares/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 (unless the goods or services qualify for recognition as assets).

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification occurs after vesting period, the incremental fair value granted is recognised immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

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

3.2 Significant accounting policies (continued)

Share-based payment transactions (continued)

Share-based payment transactions of the Company (continued)

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. The fair value of the cash-settled share-based payments is determined without taking into consideration all non-market vesting conditions.

At the end of each reporting period until the liability is settled, and at the date of settlement, the liability is remeasured to fair value. For cash-settled share-based payments that are already vested, any changes in fair value are recognised in profit or loss for the year. For cash-settled share-based payments which are still subject to non-market vesting conditions, the effects of vesting and non-vesting conditions are accounted for on the same basis as equity-settled share-based payments.

Taxation

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

Current tax

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

Deferred tax

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 differences arise 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 arise from the initial recognition of goodwill.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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 differences and it is probable that the temporary differences 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.

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

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

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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 is 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.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

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

3.2 Significant accounting policies (continued)

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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of (please specify) are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

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

3.2 Significant accounting policies (continued)

Provisions (continued)

(a) *Other non-incremental costs are allocated even before application of IAS 37 amendments*

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs (to specify, e.g. direct labour and materials) and an allocation of other costs (to specify, e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

(b) *Only considered incremental costs prior to application of IAS 37 amendments*

Prior to application of IAS 37 amendments on 1 January 2022, the Group only considers incremental costs (to specify, e.g. direct labour and materials) when assessing whether a contract is onerous or loss-making. Effective 1 January 2022, outstanding unfulfilled contracts as at 1 January 2022 are assessed by considering both the incremental costs and an allocation of other costs (to specify, e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

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 date of inception of the lease 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.

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

3.2 Significant accounting policies (continued)

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

4. CRITICAL ACCOUNTING JUDGMENTS 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 Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties portfolio in Hong Kong and concluded that the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred tax on investment properties in Hong Kong, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties.

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

Critical judgments in applying accounting policies (continued)

Control over Jumbo Excel Investment Corporation ("Jumbo Excel")

Note 53(a) describes that Jumbo Excel Investment Corporation ("Jumbo Excel") is a subsidiary of the Group even though the Group has only a 50% ownership interest in Jumbo Excel, with the remaining ownership interest held by a third party that is unrelated to the Group.

The directors of the Company assessed whether or not the Group has control over Jumbo Excel based on whether the Group has the practical ability to direct the relevant activities of Jumbo Excel unilaterally. In making their judgment, the directors consider the Group's control in the board of directors and the relative agreement between the Group and the non-controlling interest. As detailed in note 53(a), the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Jumbo Excel and therefore the Group has control over Jumbo Excel. If the directors had concluded that the 50% ownership interest was insufficient to give the Group control, Jumbo Excel would instead not be classified as a subsidiary and not consolidated in the Group's consolidated financial statements.

Control over Ayasa Globo Financial Services (BVI) Limited ("Ayasa Globo (BVI)")

Note 53(a) describes that Ayasa Globo Financial Services (BVI) Limited ("Ayasa Globo (BVI)") is a subsidiary of the Group even though the Group has entered into shareholder's agreement with the remaining ownership interest that required unanimous consent to certain actions. The directors of the Company assessed whether or not the Group has control over Ayasa Globo (BVI) based on whether the Group has the practical ability to direct the relevant activities of Ayasa Globo (BVI) unilaterally.

In making their judgment, the directors consider the Group's control in the board of directors and the relative agreement between the Group and the non-controlling interest. The directors concluded that the Group has a sufficient ability to direct the relevant activities of Ayasa Globo (BVI) and therefore the Group has control over Ayasa Globo (BVI). If the directors had concluded that the Group has insufficient ability to direct the relevant activities, Ayasa Globo (BVI) would instead not be classified as a subsidiary and not consolidated in the Group's consolidated financial statements.

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

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

Management of the Group determines on a regular basis whether there are any indications that the property, plant and equipment and right-of-use assets are impaired. Impairment loss for property, plant and equipment and right-of-use assets are recognised when the carrying amounts of the assets exceed their respective recoverable amounts, which are determined based on the higher of fair value less costs of disposal and value in use. The fair values of property, plant and equipment and right-of-use assets are estimated by reference to their expected selling prices which are affected by various factors, including market conditions and the technological occurrence. The value in use calculation requires the use of estimates such as the future revenue and discount rates. If the recoverable amounts of property, plant and equipment and right-of-use assets are estimated to be less than their respective carrying amounts, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss in respect of the period. As at 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets are approximately HK$4,055,000 (2021: HK$132,805,000) and HK$14,742,000 (2021: HK$29,263,000) respectively. The Group recognised an impairment loss of property, plant and equipment of HK$6,191,000 for the year ended 31 December 2022 (2021: nil).

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

Key sources of estimation uncertainty (continued)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charges for future years.

Estimation of fair value of investment properties

Investment properties are carried in the consolidated financial statements at their fair value. The best evidence of fair value of the Group's investment properties are current prices in an active market for similar properties in the same location and condition and subject to similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from: (i) independent valuations; and (ii) external evidence such as current market rates for similar properties in the same location and condition. Details regarding the fair value of the Group's investment properties as at 31 December 2022 are set out in note 18 to the financial statements.

Impairment of properties for development

Management of the Company determines on a regular basis whether the properties for development are impaired. Impairment losses on properties for development are recognised when the carrying amount of the assets exceed their recoverable amount, which is the higher of their fair values less costs of disposal and value in use. The fair values of the properties are estimated based on direct comparison method and residual method, taking into account estimated cost to completion. The value in use calculation requires the use of estimates such as the future cash flows and discount rates.

As at 31 December 2022, the carrying amount of properties for development is approximately HK$69,000,000 (2021: HK$94,800,000). Impairment loss of properties for development amounted to HK$25,800,000 (2021: HK$3,700,000) has been recognised in respect of the current year.

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

Key sources of estimation uncertainty (continued)

Impairment of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised at their carrying amounts. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying amount of inventories and write-down of inventories in the period in which such estimate is changed. As at 31 December 2022, the carrying amount of inventories is approximately HK$40,094,000 (2021: HK$103,874,000). No impairment loss of inventories was recognised in respect of the current year (2021: Nil).

Impairment of receivables

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables, finance lease receivables and contract assets. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates, taking into consideration forward-looking information available that is receivable and supportable without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, the Group's receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

For the assessment of expected credit loss of other financial assets at amortised costs, the Group uses four categories for those financial assets, including factoring receivables, loan and interest receivables, financial assets included in prepayments, deposits and other receivables, amount due from an associate and amount due from a joint venture, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings, where possible.

The information about the expected credit loss of the Group's receivables are disclosed in note 50.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate their present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2022 was HK$40,781,000, after accumulated impairment losses of HK$7,851,000 was recognised. The carrying amount of goodwill at 31 December 2021 was HK$45,281,000 (after accumulated impairment losses of HK$7,851,000 was recognised). Details of the impairment loss calculation are set out in note 20.

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

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

Certain of the Group's financial assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the fair value of the asset or liability is estimated by reference to the valuation performed by professional valuers or fund managers.

Information about the valuation techniques and inputs used in determining the fair value of various financial assets are disclosed in note 51.

5. REVENUE

An analysis of the Group's revenue from continuing operations by major products and services categories for the year are as follows:

	2022	2021
	HK$'000	HK$'000
		(Restated)
Income from food and beverage business	**429,510**	497,351
Income from provision of professional services	**70,554**	78,083
Income from provision of services regarding dealing in securities and futures contracts	**2,017**	1,514
Income from asset management and advising on securities services	**6,999**	9,321
Income from provision of temperature-controlled storage and ancillary services	**10,842**	11,302
Revenue from contracts with customers	**519,922**	597,571
Interest income from money lending business	**1,509**	5,135
Interest income from financial assets at fair value through profit or loss	**105**	1,448
Fair value loss on financial assets at fair value through profit or loss	**(20,178)**	(1,465)
Margin interest income from securities brokerage business	**8,001**	–
Revenue from other source	**(10,563)**	5,118
Total revenue	**509,359**	602,689

5. REVENUE (continued)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers from continuing operations is disaggregated by timing of revenue recognition:

	2022 HK$'000	2021 HK$'000 (Restated)
Timing of revenue recognition		
Continuing operations		
At a point in time	**461,979**	543,399
Over time	**57,943**	54,172
	519,922	597,571

Income from food and beverage business represents sales of frozen food and beverage products which is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers, being when the goods have been delivered to the customers.

Income from provision of professional services mainly includes (i) services rendered for fund set up is recognised over time in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided, (ii) fund administration and consultancy services which are recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit provided by the Group as the Group performs and revenue can be measured reliably and (iii) other corporate services which are recognised at a point in time when the services for the transactions are completed under the terms of each engagement, as only that time the Group has a present right to payment from the customers for the service performed.

Income from the provision of services regarding dealing in securities and futures contracts is recognised at a point in time on a trade date basis when the relevant transactions are executed.

5. REVENUE (continued)

Income from asset management and advising on securities services is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

Income from provision of temperature-controlled storage and ancillary services represents provision of storage services for frozen food and beverage products which is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following operating segments based on their products and services:

Continuing operations

(a) Food and beverage – sale of frozen food and beverage products

(b) Financial business – provision of professional services, such as fund setup and administration, consultancy and co-ordination, corporate and accounting services, data analysis, provision of services regarding dealing in securities and futures contracts, advising on securities and asset management services, securities investments and money lending

(c) Properties holding

(d) Others – provision of temperature-controlled storage and ancillary services which provide storage services for frozen food and beverage products

Discontinued operations

(a) Personal care products – manufacturing and sale of skin care, body and hair care products which can be classified as anti-epidemic products and general products

(b) Financial business – provision of professional services, such as consultancy services, finance leasing and factoring

6. OPERATING SEGMENT INFORMATION (continued)

The Group disposed the interest in certain subsidiaries that were considered by the management as separate major line of business of the Group. Accordingly, the entire personal care products segment and part of the financial business segment were accounted for as discontinued operations. Details about these Discontinued Operations and the disposal are set out in Note 12. Previously reported figures in respect of certain segment assets and segment liabilities as at 31 December 2021 and certain segment revenue and segment results for the year ended 31 December 2021 have been restated to conform with the presentation of segmental information adopted in respect of the current year.

The Group's management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income derived from bank deposits, gain on disposal of subsidiaries, other unallocated income and gains, equity-settled share-based payments, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated property, plant and equipment, right-of-use assets, prepayments, deposits and other receivables, amount due from an associate, amount due from a joint venture, interests in associates, interest in a joint venture and cash and bank balances as these assets are managed on a group basis. Segment liabilities exclude unallocated other payables and accruals, lease liabilities, promissory notes payable, bank and other borrowings, income tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

6. OPERATING SEGMENT INFORMATION (continued)

	Food and beverage HK$'000	Financial business HK$'000	Properties Holding HK$'000	Others HK$'000	Total HK$'000
Segment revenue and segment results					
Year ended 31 December 2022					
Revenue from external customers	429,510	69,007	–	10,842	509,359
Inter-segment revenue	–	–	–	–	–
Segment revenue	429,510	69,007	–	10,842	509,359
Segment profit/(loss)	5,960	(8,575)	(35,245)	(6,237)	(44,097)
Interest income from bank deposits					278
Other unallocated income and gains					1,819
Equity-settled share-based payments					–
Corporate and other unallocated expenses					(22,413)
Finance costs					(2,243)
Loss before tax from continuing operations					(66,656)

6. OPERATING SEGMENT INFORMATION (continued)

	Food and beverage HK$'000	Financial business HK$'000	Properties Holding HK$'000	Others HK$'000	Total HK$'000
Segment assets and segment liabilities					
As at 31 December 2022					
Segment assets	129,672	457,486	124,202	13,775	725,135
Goodwill					40,781
Corporate and other unallocated assets					147,514
Assets related to discontinued operations					–
Total assets					913,430
Segment liabilities	31,835	195,674	1,306	11,510	240,325
Corporate and other unallocated liabilities					13,955
Liabilities related to discontinued operations					–
Total liabilities					254,280

6. OPERATING SEGMENT INFORMATION (continued)

	Food and beverage HK$'000	Financial business HK$'000	Properties Holding HK$'000	Others HK$'000	Total HK$'000
Segment revenue and segment results					
Year ended 31 December 2021 (Restated)					
Revenue from external customers	497,351	94,036	–	11,302	602,689
Inter-segment revenue	–	–	–	–	–
Segment revenue	497,351	94,036	–	11,302	602,689
Segment profit/(loss)	10,467	26,278	(12,855)	(2,268)	21,622
Interest income from bank deposits					1,130
Gain on disposal of subsidiaries					302
Other unallocated income and gains					572
Equity-settled share-based payments					(5,232)
Corporate and other unallocated expenses					(15,532)
Finance costs					(3,729)
Loss before tax from continuing operations					(867)

6. OPERATING SEGMENT INFORMATION (continued)

	Food and beverage HK$'000	Financial business HK$'000	Properties Holding HK$'000	Others HK$'000	Total HK$'000
Segment assets and segment liabilities					
As at 31 December 2021 (Restated)					
Segment assets	137,993	514,325	175,972	25,164	853,454
Goodwill					45,281
Corporate and other unallocated assets					100,506
Assets related to discontinued operations					537,324
Total assets					1,536,565
Segment liabilities	49,954	163,820	23,500	16,805	254,079
Corporate and other unallocated liabilities					10,010
Liabilities related to discontinued operations					484,597
Total liabilities					748,686

6. OPERATING SEGMENT INFORMATION (continued)

	Food and beverage HK$'000	Financial business HK$'000	Properties Holding HK$'000	Others HK$'000	Total HK$'000
Other segment information					
Year ended 31 December 2022					
Depreciation charge*	**953**	**5,034**	**–**	**7,039**	**13,026**
Unallocated					**1,948**
Total depreciation charge from continuing operations					**14,974**
Capital expenditure**	**7**	**2,375**	**5,319**	**25**	**7,726**
Unallocated					**–**
Total capital expenditure from continuing operations					**7,726**
Year ended 31 December 2021 (Restated)					
Depreciation charge*	435	3,580	–	7,804	11,819
Unallocated					1,946
Total depreciation charge from continuing operations					13,765
Capital expenditure**	1,092	952	–	47	2,091
Unallocated					42
Total capital expenditure from continuing operations					2,133

* Depreciation charge consists of depreciation of property, plant and equipment and right-of-use assets.

** Capital expenditure consists of additions to property, plant and equipment, investment properties and properties for development.

6. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue from external customers from continuing operations is presented based on the location of customers as detailed below:

	2022 HK$'000	2021 HK$'000 (Restated)
Hong Kong	**427,919**	521,639
Overseas	**81,440**	81,050
	509,359	602,689

Information about major customers

No individual customers of continuing operations contributing over 10% of the revenue of the Group for both of years presented.

7. OTHER INCOME AND GAINS

	2022 HK$'000	2021 HK$'000 (Restated)
Net foreign exchange gain	**–**	4,684
Gain on disposal of subsidiaries *(note 43)*	**–**	302
Government subsidies*	**1,069**	14
Gain on cancellation of promissory note	**450**	–
Interest income from bank deposits	**278**	1,130
Reversal of impairment loss on loan and interest receivables *(note 23)*	**1,717**	140
Sundry income	**1,575**	1,006
Other income and gains from continuing operations	**5,089**	7,276

* There are no unfulfilled conditions or contingencies relating to these subsidies.

8. OTHER EXPENSES

	2022 HK$'000	2021 HK$'000 (Restated)
Impairment loss on properties for development *(note 19)*	**25,800**	3,700
Impairment loss on properties, plant and equipment *(note 16)*	**6,191**	–
Impairment loss on trade receivables	**3,558**	269
Loan and interest receivables written off *(note 23)*	**–**	679
Others	**1**	3
Other expenses from continuing operations	**35,550**	4,651

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000 (Restated)
Interest on bank borrowings	**208**	165
Interest on other borrowings	**696**	1,952
Finance costs on lease liabilities	**1,339**	1,612
Finance costs from continuing operations	**2,243**	3,729

10. LOSS BEFORE TAX

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

	2022 **HK$'000**	2021 HK$'000 (Restated)
Cost of inventories sold	**380,153**	446,167
Depreciation of property, plant and equipment	**3,935**	4,219
Depreciation of right-of-use assets	**11,039**	9,546
Storage expenses	**21,209**	19,228
Short-term lease expenses	**634**	877
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**47,049**	45,093
Retirement benefit scheme contributions	**1,371**	915
Total staff costs	**48,420**	46,008
Auditors' remuneration		
– audit services	**1,375**	1,058
– non-audit services	**430**	429
Net foreign exchange losses/(gain)	**5,668**	(4,684)

11. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000 (Restated)
Current tax expense		
Hong Kong Profits Tax	**3,484**	1,648
	3,484	1,648
Deferred tax (credit)/charge	**(1,077)**	320
Income tax expense from continuing operations	**2,407**	1,968

Under the two-tiered Hong Kong profits tax rates regime, the first HK$2 million of the assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

For the year ended 31 December 2022 and 2021, Hong Kong profits tax is calculated in accordance with the two-tiered Hong Kong profits tax rates regime.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% of the profit assessable to tax for both of the years presented.

The income tax expense from continuing operations can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK$'000	2021 HK$'000 (Restated)
Loss before tax	**(66,656)**	(867)
Tax at the applicable tax rates	**(6,162)**	(1,259)
Income not subject to tax	**(1,229)**	(1,541)
Expenses not deductible for tax	**7,092**	1,905
Tax losses not recognised	**1,979**	2,586
Others	**727**	277
Income tax expense	**2,407**	1,968

12. DISCONTINUED OPERATIONS

The Group disposed its interest in subsidiaries, including (青蛙王子(福建)嬰童護理用品有限公司) ("Frog Prince"), Global Compliance Consulting Limited ("GCC") and Brisk Day Limited ("Brisk Day"), on 31 August 2022, 30 September 2022 and 31 December 2022 respectively. Frog Prince and its subsidiary were principally engaged in the manufacturing and sales of personal care products. GCC was principally engaged in the provision of consultancy services. Brisk Day and its subsidiaries were principally engaged in the finance leasing and factoring businesses. After their respective completion date of disposal, the operations of Frog Prince, GCC and Brisk Day are accounted for discontinued operations.

The loss for the year from the discontinued operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the discontinued operations.

	2022 **HK$'000**	2021 HK$'000 (Restated)
Loss of discontinued operation for the year	**27,816**	97,049
Loss on disposal of discontinued operations	**3,919**	–
	31,735	97,049

12. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations for the period from 1 January 2022 to respective date of discontinuation of the respective operations, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2022 HK$'000	2021 HK$'000 (Restated)
Revenue		
– Revenue from sale of goods	**391,961**	601,409
– Income from provision of professional services	**1,463**	3,082
– Interest income from finance lease business	**1,487**	9,958
Total revenue	**394,911**	614,449
Cost of sales	**(313,480)**	(494,441)
Gross profit	**81,431**	120,008
Other income and gains	**18,170**	18,820
Selling and distribution expenses	**(55,979)**	(84,706)
Administrative expenses	**(80,490)**	(125,507)
Impairment loss of goodwill	**(675)**	–
Other expenses	**(5,750)**	(17,365)
Finance costs	**(1,912)**	(2,291)
Share of loss of associates	**–**	(1,554)
Loss before tax	**(45,205)**	(92,595)
Income tax credit/(expense)	**17,389**	(4,454)
Loss for the year	**(27,816)**	(97,049)

	2022 HK$ cents	2021 HK$ cents (Restated)
Loss per share from discontinued operations		
Basis	**(1.4)**	(4.7)
Diluted	**N/A**	N/A

During the year ended 31 December 2022, the discontinued operations contributed approximately HK$120,641,000 to the Group's net operating cash outflows (2021: cash inflows of HK$111,721,000), paid approximately HK$38,002,000 (2021: HK$45,068,000) in respect of investing activities (including net cash outflow from disposal of subsidiaries) and paid approximately HK$9,801,000 (2021: paid HK$129,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of the discontinued operations at the date of disposal are disclosed in note 43.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and chief executive

	2022	2021
	HK$'000	HK$'000
		(Restated)
Fees:		
Executive directors	**1,440**	1,735
Non-executive directors	**1,730**	1,800
Independent non-executive directors	**720**	720
	3,890	4,255
Other emoluments:		
Salaries, allowance and benefits in kind	**3,096**	4,004
Discretionary bonuses	**624**	2,100
Equity-settled share-based payments	**–**	2,508
Retirement benefit scheme contributions	**47**	63
	7,657	12,930

During the year ended 31 December 2021, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 40 to the consolidated financial statements.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

An analysis of the directors' emoluments by individual directors are as follows:

	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2022						
Executive directors:						
Mr. Tsai Wallen [2]	–	–	–	–	–	–
Mr. Lau Ka Ho*	360	1,740	259	–	18	2,377
Mr. Chan Hoi Tik	940	–	109	–	18	1,067
Mr. Fok King Man [1]	140	1,356	256	–	11	1,763
	1,440	3,096	624	–	47	5,207
Non-executive directors:						
Mr. Li Zhouxin [3]	770	–	–	–	–	770
Mr. Sze Wine Him Jaime	960	–	–	–	–	960
	1,730	–	–	–	–	1,730
Independent non-executive directors:						
Ms. Chan Sze Man	240	–	–	–	–	240
Mr. Ma Kwun Yung Stephen	240	–	–	–	–	240
Ms. Bu Yanan	240	–	–	–	–	240
	720	–	–	–	–	720
	3,890	3,096	624	–	47	7,657

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

	Fees HK$'000 (Restated)	Salaries, allowance and benefits in kind HK$'000 (Restated)	Discretionary bonuses HK$'000 (Restated)	Equity-settled share-based payments HK$'000 (Restated)	Retirement benefit scheme contributions HK$'000 (Restated)	Total HK$'000 (Restated)
2021						
Executive directors:						
Mr. Tsai Wallen [2]	207	–	–	627	9	843
Mr. Lau Ka Ho*	360	1,721	600	627	18	3,326
Mr. Chan Hoi Tik	932	–	–	627	18	1,577
Mr. Fok King Man [1]	236	2,283	1,500	627	18	4,664
	1,735	4,004	2,100	2,508	63	10,410
Non-executive directors:						
Mr. Li Zhouxin [3]	840	–	–	–	–	840
Mr. Sze Wine Him Jaime	960	–	–	–	–	960
	1,800	–	–	–	–	1,800
Independent non-executive directors:						
Ms. Chan Sze Man	240	–	–	–	–	240
Mr. Ma Kwun Yung Stephen	240	–	–	–	–	240
Ms. Bu Yanan	240	–	–	–	–	240
	720	–	–	–	–	720
	4,255	4,004	2,100	2,508	63	12,930

1 Mr. Fok King Man Ronald was appointed as an executive director with effect from 8 January 2021 and resigned as an executive director with effect from 15 July 2022.

2 Mr. Tsai Wallen resigned as an executive director and chairman of the company with effect from 30 June 2021.

3 Mr. Li Zhouxin resigned as a non-executive director with effect from 30 November 2022.

* Mr. Lau Ka Ho was also the chief executive officer for the years ended 31 December 2022 and 31 December 2021.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

During the years ended 31 December 2022 and 2021, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees

The five highest emoluments employees in the Group during the year included four directors (2021: three directors).

The emoluments of the remaining one individual (2021: two individuals) were as follows:

	2022 **HK$'000**	2021 HK$'000 (Restated)
Salaries, allowances and benefits in kind	**1,470**	2,897
Discretionary bonuses	**3,139**	2,722
Equity-settled share-based payments	**–**	631
Retirement benefit scheme contributions	**23**	27
	4,632	6,277

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2022 **No. of employees**	2021 No. of employees
Below HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**–**	–
HK$4,500,001 – HK$5,000,000	**1**	–

14. DIVIDENDS

The directors of the Company do not recommend any payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil).

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	Continuing and discontinued operations		Continuing operations	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Loss				
Loss for the purpose of basic loss per share				
Loss for the year attributable to equity holders of the Company	**(88,857)**	(104,891)	**(57,423)**	(7,408)

	2022	2021	**2022**	2021
	'000	'000	**'000**	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,274,123**	2,049,526	**2,274,123**	2,049,526

The computation of diluted loss per share does not assume the exercise of the Company's share options granted because the exercise prices of those share options were higher than the average market prices for shares of the Company for both of the years ended 31 December 2022 and 31 December 2021.

Diluted loss per share for the years ended 31 December 2022 and 31 December 2021 are not presented as there were no other potential shares in issue for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 January 2021 (Restated)	115,540	4,519	96,230	29,671	2,405	2,462	250,827
Additions	–	1,377	10,156	4,062	59	14,734	30,388
Transferred from construction in progress	–	–	11,287	–	–	(11,287)	–
Acquisition of subsidiaries *(note 42(a))*	–	–	–	15	594	–	609
Disposals	–	(371)	(517)	(741)	–	–	(1,629)
Disposal of subsidiaries *(note 43(b)(i))*	–	–	–	(15)	–	–	(15)
Exchange realignment	3,828	–	3,374	616	62	146	8,026
At 31 December 2021 and 1 January 2022 (Restated)	119,368	5,525	120,530	33,608	3,120	6,055	288,206
Additions	–	406	3,161	1,696	1,469	7,305	14,037
Transferred from construction in progress	–	–	8,852	1,287	–	(10,139)	–
Disposals	–	–	(284)	–	–	–	(284)
Disposal of subsidiaries *(note 43(a))*	(113,717)	–	(120,602)	(21,928)	(2,484)	(2,921)	(261,652)
Exchange realignment	(5,651)	–	(5,355)	(953)	(93)	(300)	(12,352)
At 31 December 2022	–	5,931	6,302	13,710	2,012	–	27,955
Accumulated depreciation and impairment:							
At 1 January 2021 (Restated)	46,619	2,365	63,497	15,906	487	–	128,874
Depreciation provided for the year	6,335	798	10,734	3,855	832	–	22,554
Acquisition of subsidiaries *(note 42(a))*	–	–	–	6	45	–	51
Eliminated on disposals	–	(196)	(5)	(156)	–	–	(357)
Disposal of subsidiaries *(note 43(b)(i))*	–	–	–	(2)	–	–	(2)
Exchange realignment	1,663	–	2,242	358	18	–	4,281
At 31 December 2021 and 1 January 2022 (Restated)	54,617	2,967	76,468	19,967	1,382	–	155,401
Depreciation provided for the year	3,586	1,124	6,707	2,891	590	–	14,898
Eliminated on disposals	–	–	(74)	–	–	–	(74)
Disposal of subsidiaries *(note 43(a))*	(55,632)	–	(76,268)	(12,623)	(1,347)	–	(145,870)
Impairment *(note 8)*	–	539	2,948	2,704	–	–	6,191
Exchange realignment	(2,571)	–	(3,479)	(559)	(37)	–	(6,646)
At 31 December 2022	–	4,630	6,302	12,380	588	–	23,900
Carrying amount:							
At 31 December 2022	–	1,301	–	1,330	1,424	–	4,055
At 31 December 2021 (Restated)	64,751	2,558	44,062	13,641	1,738	6,055	132,805

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) The buildings of the Group are situated on leasehold land use rights (included in right-of-use assets) with a lease term of 41 years in the PRC. The balance was derecognised upon disposal of subsidiary during current year.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account their estimated residual value. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvement	over the lease terms
Plant and machinery	10%-20%
Furniture, fixtures and office equipment	20% to 33 1/3%
Motor vehicles	20% to 25%

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000 (Note b)	Leased properties HK$'000 (Note c)	Total HK$'000
As at 31 December 2022			
Carrying amount	–	14,742	14,742
As at 31 December 2021 (Restated)			
Carrying amount	5,715	23,548	29,263
For the year ended 31 December 2022			
Depreciation charge	157	11,411	11,568
For the year ended 31 December 2021 (Restated)			
Depreciation charge	170	9,900	10,070

	2022 HK$'000	2021 HK$'000 (Restated)
Expense relating to short-term leases	**2,627**	1,784
Total cash outflow for leases	**12,885**	12,851
Additions to right-of-use assets *(note a)*	**2,820**	11,006

Notes:

(a) Amount includes additions of right-of-use assets resulting from new leases entered into amounting to HK$2,820,000 (2021: HK$11,006,000).

(b) As at the prior year ended 31 December 2021, the Group owned one industrial building where its manufacturing facilities are primarily located in the PRC. The Group was the registered owner of the property interests, including the underlying leasehold land with a lease term of 41 years. Lump sum payments were made upfront to acquire the property interests. The leasehold land component of the owned property was presented separately since the payments made can be allocated reliably. This balance was derecognised upon disposal of subsidiary during the current year.

(c) For both years presented, the Group leases various offices and warehouse for its operations. Lease contracts are entered into for fixed term of two years to five years (2021: two years to five years). Lease terms are negotiated on an individual basis and contain a wide range of 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.

As at 31 December 2022 and 31 December 2021, the Group has extension and/or termination options in a number of leases for offices. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

17. RIGHT-OF-USE ASSETS (continued)

Notes: (continued)

(c) (continued)

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. There was no potential exposures to these future lease payments for (i) extension options in which the Group is not reasonably certain to exercise and (ii) termination options in which the Group is not reasonably certain not to exercise.

As at 31 December 2022, the Group entered into new leases for several office, with 2 years non-cancellable period (2021: from 2 years to 3 years), excluding the period under extension options. The total future undiscounted cashflows over the non-cancellable period amounted to HK$2,820,000 (2021: HK$11,006,000).

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2022 and 31 December 2021, there is no such triggering event.

18. INVESTMENT PROPERTIES

	2022 **HK$'000**	2021 HK$'000 (Restated)
Investment properties, at fair value		
– in Hong Kong	**52,250**	77,200
Movements during the year are as follows:		
Fair value, at 1 January	**77,200**	85,000
Addition	**5,319**	–
Disposal	**(23,200)**	–
Loss on change in fair value recognised in profit or loss	**(7,069)**	(7,800)
Fair value, at 31 December	**52,250**	77,200

The Group's investment properties at 31 December 2022 and 2021 represents workshops in industrial complex on leasehold land.

The Group's investment properties are carried at fair value at 31 December 2022 and 2021, which are valued by B.I. Appraisal Limited, being independent qualified professional valuer not connected with the Group.

18. INVESTMENT PROPERTIES (continued)

In estimating the fair value of the investment properties, the highest and the best use of the properties is their current use. Direct comparison method is adopted for the current year as the investment properties have been vacant during the current year and the directors are of the opinion that the direct comparison method is appropriate for estimation of the fair value of the investment properties at the end of the reporting period. There has been no change from the valuation technique used in the previous year.

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for investment properties	**–**	**–**	**52,250**	**52,250**

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) HK$'000 (Restated)	Significant observable inputs (Level 2) HK$'000 (Restated)	Significant unobservable inputs (Level 3) HK$'000 (Restated)	Total HK$'000 (Restated)
Recurring fair value measurement for:				
Investment properties	–	–	77,200	77,200

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

18. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

At 31 December 2022

Type of properties	Valuation technique	Significant unobservable inputs	Estimated unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties in Hong Kong*	Direct comparison method	Unit price per square foot	HK$17,092	The higher the unit price per square foot, the higher the fair value

At 31 December 2021

Type of properties	Valuation technique	Significant unobservable inputs	Estimated unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties in Hong Kong*	Direct comparison method	Unit price per square foot	HK$17,042	The higher the unit price per square foot, the higher the fair value

* The Group's properties in Hong Kong represent a workshop unit in the industrial complex.

Under the direct comparison method, the market value of the properties is estimated by making reference to comparable sale evidence in the relevant market, any by cross-referencing whenever appropriate, the value of the properties in the current rents passing and the reversionary income potential of the properties, as observable by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

A significant increase/decrease in the unit price per square foot would result in a significant increase/decrease in the fair value of the investment properties.

19. PROPERTIES FOR DEVELOPMENT

	2022 **HK$'000**	2021 HK$'000 (Restated)
At cost		
At 1 January	**164,862**	164,862
At 1 January and 31 December	**164,862**	164,862
Accumulated impairment		
At 1 January	**70,062**	66,362
Impairment loss recognised for the year *(note 8)*	**25,800**	3,700
At 31 December	**95,862**	70,062
Carrying amount at 31 December	**69,000**	94,800

Properties for development represent land and buildings located on leasehold land in Hong Kong, which were acquired by the Group for development purposes. Details of the property development plans are yet to be approved by the relevant government department.

The Group assesses the recoverable amount of properties for development were based on the fair value of these properties and taking into account the estimated costs to completion based on the direct comparison method and residual method. The main valuation input used were the market value of other property comparable executed in the market and estimated development cost. The fair value on which the recoverable amount is categorised as level 3 measurement. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates.

The directors of the Company consider it appropriate to recognise impairment loss amounted to HK$25,800,000 (2021: HK$3,700,000) on the properties for development which is calculated based on their recoverable amount by reference to the fair value of the properties on their existing state.

20. GOODWILL

	2022 HK$'000	2021 HK$'000 (Restated)
Cost		
At 1 January	**53,132**	48,632
Acquisition of subsidiaries *(note 42(a))*	**–**	4,500
Disposal of subsidiary *(note 43(a)(ii))*	**(4,500)**	–
At 31 December	**48,632**	53,132
Accumulated impairment losses		
At 1 January	**7,851**	7,851
Impairment loss recognised	**675**	–
Witten off upon disposal of a subsidiary *(note 43(a)(ii))*	**(675)**	–
At 31 December	**7,851**	7,851
Carrying amount		
At 31 December	**40,781**	45,281

Impairment testing of goodwill

Cost of the goodwill has been allocated for impairment testing purposes to the following groups of cash generating units ("CGUs")

	2022 HK$'000	2021 HK$'000 (Restated)
Food and beverage	**3,440**	3,440
Provision of services regarding dealing in securities and futures contracts	**4,411**	4,411
Provision of professional services related to funds	**40,781**	40,781
Provision of consultancy services *(note 42(a))*	**–**	4,500
At 31 December	**48,632**	53,132

20. GOODWILL (continued)

Food and beverage

In respect of the goodwill allocated to the CGUs of food and beverage, the Group recognised impairment loss of goodwill amounted to HK$3,440,000 for the prior years based on its recoverable amount.

Provision of services regarding dealing in securities and futures contracts

In respect of the goodwill allocated to the CGUs of provision of services regarding dealing in securities and futures contracts, the directors consider it appropriate to recognise impairment loss of goodwill amounted to HK$4,410,000 for the prior years based on the recoverable amount of the CGUs.

Provision of professional services related to funds

The recoverable amount of this group of CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Key assumptions adopted in the preparation of cash flow projections for value in use calculation are as follows:

	2022
Compound annual growth rate of revenue in five-year period	**2.73%**
Annual growth rate beyond the five-year period	**2.50%**
Discount rate	**23.78%**

The budgeted gross margin used for the preparation of the cash flow projections is based on the past performance and future industry forecast estimated by management.

The average annual revenue growth rate of revenue is estimated by management based on past performance, industry forecast and its expectation of market development. The discount rate used is before tax and reflects specific risks relating to this group of CGUs.

For the year ended 31 December 2022, in respect of the goodwill allocated to the CGUs of provision of professional services related to funds, the directors consider it appropriate not to recognise impairment loss of goodwill based on the recoverable amount of the CGUs. The recoverable amount has been determined by value in use calculation and the present value of expected future cash flows.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000 (Restated)
Financial assets at fair value through other comprehensive income		
Equity securities listed in Hong Kong	**2,757**	5,950
Unlisted investment fund *(note b)*	**14,721**	55,898
	17,478	61,848

Notes:

(a) Details regarding the fair value of equity securities listed in Hong Kong and unlisted investment fund are set out in note 51.

(b) The unlisted investment fund represents fund established by external fund managers which are principally engaged in securities investments. Under the terms of the fund held by the Group as at 31 December 2022 and 2021, the Group is eligible to redeem the fund at the proportion of their respective net assets value.

22. INVENTORIES

	2022 HK$'000	2021 HK$'000 (Restated)
Raw materials	**–**	36,750
Work in progress	**–**	281
Finished goods	**40,094**	66,843
	40,094	103,874

23. LOAN AND INTEREST RECEIVABLES

	2022 **HK$'000**	2021 HK$'000 (Restated)
Loan and interest receivables		
– repayable within one year	**8,087**	30,562
– repayable in the second to fifth years	**358**	4,602
– repayable over the fifth years	**88**	240
	8,533	35,404
Less: impairment loss recognised	**(6,031)**	(7,748)
	2,502	27,656
Analysed for reporting as:		
Non-current assets	**424**	4,842
Current assets	**2,078**	22,814
	2,502	27,656

23. LOAN AND INTEREST RECEIVABLES (continued)

Movements during the year are as follows:

	2022 HK$'000	2021 HK$'000 (Restated)
At 1 January	**27,656**	40,366
Loans made by the Group	**–**	8,000
Interest on loan receivables *(note 5)*	**1,509**	5,135
Loans and interest repaid by borrowers	**(28,380)**	(25,306)
Loan and interest written off *(note 8)*	**–**	(679)
Reversal of impairment loss recognised *(note 7)*	**1,717**	140
At 31 December	**2,502**	27,656

Movements of impairment loss on loan and interest receivables are as follows:

	2022 HK$'000	2021 HK$'000 (Restated)
At 1 January	**7,748**	7,888
Reversal of impairment loss recognised *(note 7)*	**(1,717)**	(140)
At 31 December	**6,031**	7,748

23. LOAN AND INTEREST RECEIVABLES (continued)

Details of loan receivables (excluding interest receivables) are as follows:

31 December 2022

Loan principal amount	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
HK$'000				
7,775	**8**	**12.0% to 58.0%**	**Within one year to five years after 31 December 2022**	**Nil**

31 December 2021

Loan principal amount (Restated)	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
HK$'000				
4,000	1	10.0%	Within one year after 31 December 2021	Unlisted shares incorporated in Singapore
28,080	14	12.0% to 58.0%	Within one year to six years after 31 December 2021	Nil
32,080				

Loan and interest receivables thereon were to be settled by the borrowers at their respective maturity dates.

24. TRADE AND BILLS RECEIVABLES

	2022 HK$'000	2021 HK$'000 (Restated)
Trade receivables arising from provision of dealing in securities and futures contracts services		
– Clearing house, brokers and cash clients *(note a)*	**10,670**	64,544
– Margin clients *(note b)*	**46,101**	–
Trade and bills receivables arising from other business *(note c)*	**83,854**	213,288
	140,625	277,832
Less: allowance for trade and bills receivables from other business	**(3,777)**	(41,296)
	136,848	236,536

Notes:

(a) The trade receivables from dealing in securities and futures contracts services represent receivables from clearing house, brokers and cash clients. The settlement terms of these trade receivables are one to two days after trade date. The trade receivables are not past due as at 31 December 2022 based on settlement terms and are not impaired since they are settled subsequent to 31 December 2022. No aging analysis of the trade receivables from clearing house, brokers and cash clients are disclosed as management of the Group is of the view that the aging analysis does not give additional value in view of the nature of this business.

(b) The trade receivables from margin clients are repayable on demand and carry interest at interest rate ranged from 8.0% to 18.0% per annum. For credit facilities granted by the Group to margin clients, the margin clients are required to pledge their securities collateral to the Group, and the credit facilities granted is determined by the discounted market value of pledged securities in accordance with the Group's margin lending policies at a specified loan-to-collateral ratio.

At the end of the reporting period, the market value of securities pledged as collateral in respect of the trade receivables from margin clients amounted to approximately HK$375,409,000 (31 December 2021: Nil).

No aging analysis of the trade receivables from margin clients are disclosed as management of the Group is of the view that the aging analysis does not give additional value in view of the nature of this business.

24. TRADE AND BILLS RECEIVABLES (continued)

Notes: (continued)

(c) Trade and bills receivables arising from other business include trade and bills receivables arising from food and beverage, provision of professional services and provision of temperature-controlled storage and ancillary services (2021: personal care products, food and beverage, provision of professional services and provision of temperature-controlled storage and ancillary services).

The Group's trading terms with its customers of other business are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 180 days (2021: 30 days to 180 days).

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

There is no bills received held by the Group as at 31 December 2022. As at 31 December 2021, total bills received amounted to HK$10,675,000 are held by the Group for future settlement, of which no bills were further discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

An aged analysis of the trade and bills receivables arising from other business as at the end of the reporting period, based on the invoice date, is as follows:

	2022 **HK$'000**	2021 HK$'000 (Restated)
Within 30 days	**54,858**	65,342
31 to 60 days	**20,262**	26,096
61 to 90 days	**3,755**	17,889
91 to 180 days	**602**	23,371
181 to 365 days	**600**	38,829
Over 365 days	**–**	465
	80,077	171,992

24. TRADE AND BILLS RECEIVABLES (continued)

Notes: (continued)

(c) (continued)

The aged analysis of the trade and bills receivables arising from other business that are not considered to be impaired is as follows:

	2022 **HK$'000**	2021 HK$'000 (Restated)
Neither past due nor impaired	**53,048**	110,839
Past due but not impaired		
– 1 to 30 days	**20,932**	33,929
– 31 to 90 days	**4,299**	7,737
– Over 90 days	**1,798**	19,487
Total	**80,077**	171,992

The Group's trade and bills receivables arising from other business that were neither past due nor impaired mainly represent sales made to recognised and creditworthy customers that have a good track record with the Group and for whom there was no recent history of default.

Based on past experience, the directors are of the opinion that except for the impairment loss made based on the expected credit loss provision, no additional provision for impairment is necessary in respect of receivables that are past due but not impaired as there has not been a significant change in credit quality and these receivables are still considered fully recoverable.

Movements of allowance of trade and bills receivables arising from other business are as follows:

	2022 **HK$'000**	2021 HK$'000 (Restated)
At 1 January	**41,296**	32,924
Impairment loss recognised	**3,558**	8,372
Impact on disposal of subsidiaries	**(39,241)**	–
Exchange realignment	**(1,836)**	–
At 31 December	**3,777**	41,296

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 **HK$'000**	2021 HK$'000 (Restated)
Prepayments *(note (i))*	**17,013**	90,841
Deposits and other receivables	**40,790**	36,949
	57,803	127,790
Less: allowance for prepayments, deposits and other receivables	**–**	(16,932)
	57,803	110,858
Analysis for reporting purposes as:		
Non-current assets	**2,425**	1,677
Current assets	**55,378**	109,181
	57,803	110,858

Notes:

(i) Included in prepayment as at the 31 December 2022 are prepayment to supplier of inventories, amounted to HK$14,593,000 (2021: HK$66,691,000) which is interest-free, unsecured and expected to be utilized within one year.

Movements of allowance of prepayments, deposits and other receivables are as below:

	2022 **HK$'000**	2021 HK$'000 (Restated)
At 1 January	**16,932**	16,340
Impact on disposal of subsidiaries	**(16,065)**	–
Exchange realignment	**(867)**	592
At 31 December	**–**	16,932

26. OTHER FINANCIAL ASSETS

	2022 **HK$'000**	2021 HK$'000 (Restated)
Financial assets at FVTPL		
Equity securities listed in Hong Kong	**–**	11,687
Other unlisted products *(note (i))*	**–**	9,556
	–	21,243

Note:

(i) As at prior year ended 31 December 2021, the other unlisted products represents short-term equity-linked investments.

27. FINANCE LEASE RECEIVABLES

	Minimum lease payments 2022 HK$'000	Minimum lease payments 2021 HK$'000 (Restated)	**Present value of minimum lease payments 2022 HK$'000**	Present value of minimum lease payments 2021 HK$'000 (Restated)
Finance lease receivables:				
– repayable within one year	–	24,354	–	22,977
– repayable in the second year	–	216	–	207
– repayable in the third year	–	–	–	–
	–	24,570	–	23,184
Less: unearned finance income	–	(1,386)	–	–
Present value of minimum lease payment receivables	–	23,184	–	23,184
Less: impairment loss recognised	–	(12,746)	–	(12,746)
	–	10,438	–	10,438

	2022 HK$'000	2021 HK$'000 (Restated)
Analysed for reporting as:		
Non-current assets	–	5,676
Current assets	–	4,762
	–	10,438

The Group entered into finance lease arrangements as a lessor for equipment and motor vehicles. The average terms of finance leases entered into usually ranged from 3 months to 36 months. All interest rates inherent in the leases were fixed at the contract date over the lease terms. All of the lease contracts are with guaranteed residual values.

For the prior year ended 31 December 2021, interest rates implicit in the above finance leases ranged from 20.6% to 42.6% per annum, with an average effective interest rate of approximately 41.7%.

Finance lease receivables were secured over the equipment and motor vehicles provided by the lessees as collectable. The Group was not permitted to sell or repledge the collateral in the absence of default by the lessee.

28. CONTRACT ASSETS

	2022 **HK$'000**	2021 HK$'000 (Restated)
Provision of professional services	**3,797**	4,302
	3,797	4,302

The contract assets primarily relate to the Group's fund administration services for work completed but billed quarterly or annually based on net asset value of funds.

The Group classifies these contract assets as current because contract assets are transferred to trade receivables within one year when the rights for payment request become unconditional.

29. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	2022 **HK$'000**	2021 HK$'000 (Restated)
Pledged bank deposits	**3,000**	27,217
Cash and bank balances	**307,094**	445,293
	310,094	472,510
The pledged bank deposits were pledged for:		
– Bank borrowings	**3,000**	–
– bills payables *(note 31)*	**–**	27,217
Pledged bank deposits	**3,000**	27,217

The bank balances and pledged bank deposits to the extent of HK$310,094,000 (2021: HK$472,510,000) earned interest at floating rates based on daily bank deposit rates.

As at 31 December 2022, the Group's cash and bank balances and pledged bank deposits of HK$6,816,000 (2021: HK$16,738,000) and Nil (2021: HK$27,217,000), respectively were denominated in RMB and were placed with banks in the PRC. The exchange of these RMB bank balances and deposits into other currencies is subject to the approval of the PRC government under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

30. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of clients under the current assets in the consolidated statement of financial position, and recognised the corresponding trade payables to the respective clients on grounds that the Group is liable for any loss or misappropriation of their clients' monies. Cash held on behalf of clients included brokerage clients, amounted to HK$20,309,000 (2021: HK$85,269,000) and fund administration clients, amounted to HK$140,961,000 (2021: HK$16,961,000). In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance and cash held on behalf of fund administration clients is restricted and governed by guideline on compliance of Anti-money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers.

31. TRADE AND BILLS PAYABLES

	2022 HK$'000	2021 HK$'000 (Restated)
Trade payables arising from dealing in securities and futures contracts services *(note a)*	**26,057**	109,792
Trade payables arising from provision of escrow services *(note b)*	**140,961**	20,309
Trade and bills payables arising from other business *(note c)*	**4,390**	309,312
	171,408	439,413

Notes:

(a) Trade payables arising from dealing in securities and futures contracts services represent payables to clearing house and cash clients. The settlement terms of these trade payables are two days after trade date.

No aging analysis of the trade payables to clearing house and cash clients is disclosed as management of the Group is of the view that the aging analysis does not give additional value in view of the nature of this business.

(b) Trade payables arising from provision of escrow services represent funds placed in the Group's bank accounts by its escrow clients (cash deposited with the Group's bank accounts are presented as "cash held on behalf of clients" under current assets in the Group's consolidated statement of financial position). Settlement of these payables is effected when the related funds transferred out of the Group's bank accounts in accordance with the escrow clients' instructions.

No aging analysis of the trade payables to escrow client is disclosed as management of the Group is of the view that the aging analysis does not give additional value in view of the nature of this business.

31. TRADE AND BILLS PAYABLES (continued)

Notes: (continued)

(c) Trade and bills payables arising from other business include trade payables arising from food and beverage, provision of professional services business and the provision of temperature-controlled storage and ancillary services (2021: personal care products, food and beverage, provision of professional services and provision of temperature-controlled storage and ancillary services).

An aged analysis of the trade and bills payables arising from other business as at the end of the reporting period, based on invoice date, is as follows:

	2022 **HK$'000**	2021 HK$'000 (Restated)
Within 30 days	**1,289**	60,824
31 to 90 days	**1,358**	105,234
91 to 180 days	**911**	81,896
Over 180 days	**832**	61,358
	4,390	309,312

The trade payables are interest-free and are normally settled on terms of 30 days to 180 days (2021: 30 days to 180 days).

As at 31 December 2022, no bills payables included in trade and bills payables was secured by the pledged bank deposits (2021: bills payables of HK$80,528,000 were secured by pledged bank deposits of HK$27,217,000) (note 29). These bills payables represented bills drawn on the Group's bankers with maturity period ranged from 6 months to 12 months against bills facilities obtained. Upon maturity, the banks would settle the amounts drawn on and a portion of the pledged deposits would be released.

32. OTHER PAYABLES AND ACCRUALS

	2022 **HK$'000**	2021 HK$'000 (Restated)
Other payables	**12,213**	11,026
Accrued charges	**15,278**	25,067
Contract liabilities	**17,701**	57,666
Other tax payables	**–**	327
	45,192	94,086

	2022 **HK$'000**	2021 HK$'000 (Restated)
Revenue recognized that was included in the contract liability balance at the beginning of the year	**57,666**	21,329

Other payables are non-interest-bearing and are normally settled on an average term of one month.

The contract liabilities represent advance payments received from customers for sale of goods. These contract liabilities are expected to be recognised as revenue within the next financial year contract liabilities balance decrease due to the disposal of subsidiaries as disclosed in note 43.

No revenue recognized in current period from performance obligations satisfied in previous period.

33. BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate per annum	**Month of maturity**	**HK$'000**	Effective interest rate per annum	Month of maturity	HK$'000 (Restated)
Bank borrowings repayable within one year	**3%**	**April 2023**	**13,230**	1.00%-4.25%	July 2022– July 2028	88,484
from two to five years			**–**			556
over five years			**–**			70
Other borrowings repayable within one year	**–**	**–**	**–**	4%-5%	April 2022	72,988
			13,230			162,098

The bank borrowing amounted to HK$13,230,000 outstanding at 31 December 2022 is secured by a guarantee from the Company. (31 December 2021: HK$27,172,000).

The bank borrowings amounted to HK$61,227,000 and HK$711,000 outstanding at 31 December 2021 were secured by properties of suppliers of the Group and a non-controlling interest respectively.

Included in other borrowings at prior year ended 31 December 2021 are borrowings amounted to HK$53,988,000 and HK$19,000,000 which are secured by certain shares of subsidiaries and the Group's investment properties with the carrying amount of HK$77,200,000 at that date respectively.

33. BANK AND OTHER BORROWINGS (continued)

Movements of the Group's bank and other borrowings for both of the years presented are as follows:

	Bank borrowings HK$'000	Other borrowings HK$'000	Total HK$'000
For the year ended 31 December 2021 (Restated)			
At 1 January 2021	59,382	128,382	187,764
New loan drawdown during the year	188,169	–	188,169
New loan from acquisition of subsidiaries	720	–	720
Repayment during the year	(161,126)	(57,227)	(218,353)
Exchange realignment	1,965	1,833	3,798
At 31 December 2021	89,110	72,988	162,098
For the year ended 31 December 2022			
New loan drawdown during the year	136,955	–	136,955
Impact on disposal of subsidiaries	(68,534)	–	(68,534)
Repayment during the year	(141,585)	(70,210)	(211,795)
Exchange realignment	(2,716)	(2,778)	(5,494)
At 31 December 2022	13,230	–	13,230

34. PROMISSORY NOTES PAYABLE

	2022 HK$'000	2021 HK$'000 (Restated)
Promissory notes payable:		
– issued on 4 January 2021 *(Note)*	**–**	2,250
	–	2,250

	2022 HK$'000	2021 HK$'000 (Restated)
Analysis for reporting:		
Analysis for reporting as Current liabilities	**–**	2,250

34. PROMISSORY NOTES PAYABLE (continued)

(a) Promissory note matured on 31 July 2021 (the "Note A")

On 4 January 2021, the Company issued the promissory note with the principal amount of HK$1,800,000 as part of the consideration for the acquisition of the 60% equity interest of Global Compliance Consulting Limited ("GCC"), a subsidiary of the Company. The promissory note, which is unsecured, carries no interest and is payable on the maturity date of 31 July 2021. Pursuant to the sale and purchase agreement of 60% equity interest of GCC, if the audited profit before tax of GCC for the year ended 31 March 2021 is less than HK$2,082,000, then the holders of Note A shall return the note to the Group for cancellation. Note A is returned and cancelled as a consideration of disposal of a subsidiary (note 43(a)(ii)).

(b) Promissory note matured on 31 July 2022 (the "Note B")

On 4 January 2021, the Company issued the promissory note with the principal amount of HK$450,000 (equivalent to RMB367,000) as part of the consideration for the acquisition of the 60% equity interest of GCC, a subsidiary of the Company. The promissory note, which is unsecured, carries no interest and is payable on the maturity date of 31 July 2022. Pursuant to the sale and purchase agreement of 60% equity interest of GCC, if the audited profit before tax of GCC for the year ended 31 March 2022 is less than HK$2,291,000, then the holders of Note B shall return the note to the Group for cancellation. Note B is returned and cancelled during the year.

Movements of the Group's promissory notes payable for both of the years presented are as follows:

	Note A HK$'000 (Restated)	Note B HK$'000 (Restated)	Total HK$'000 (Restated)
At 31 December 2020 and 1 January 2021	–	–	–
Issue during the year	1,800	450	2,250
At 31 December 2021	1,800	450	2,250
Written off upon cancellation	(1,800)	(450)	(2,250)
At 31 December 2022	–	–	–

35. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates were interest-free, unsecured and repayable on demand.

36. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are interest-free, unsecured and repayable on demand.

37. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000 (Restated)
Lease liabilities payable:		
Within one year	**10,859**	10,795
Within a period of more than one year but not more than two years	**5,867**	11,031
Within a period of more than two years but not more than five years	**–**	4,274
	16,726	26,100
Less: amount due for settlement within twelve months	**(10,859)**	(10,795)
Amount due for settlement after twelve months shown under non-current liabilities	**5,867**	15,305

38. DEFERRED TAX LIABILITIES/(ASSETS)

	Impairment on loan and interest receivables HK$'000	Withholding taxes HK$'000	Accelerated depreciation allowance HK$'000	Tax loss HK$'000	Others HK$'000	Total HK$'000
At 31 December 2020 and 1 January 2021 (Restated)	(1,303)	17,341	232	(507)	(38)	15,725
Charged/(credited) to the profit or loss	24	–	96	218	(18)	320
Exchange realignment	–	574	–	–	–	574
At 31 December 2021 (Restated)	(1,279)	17,915	328	(289)	(56)	16,619
Charged/(credited) to the profit or loss	–	(16,997)	(234)	(820)	(23)	(18,074)
Exchange realignment	–	(918)	–	–	–	(918)
At 31 December 2022	(1,279)	–	94	(1,109)	(79)	(2,373)

38. DEFERRED TAX LIABILITIES/(ASSETS) (continued)

	2022 **HK$'000**	2021 HK$'000 (Restated)
Analysis for reporting as:		
Deferred tax assets included in non-current assets	**(2,461)**	(1,622)
Deferred tax liabilities included in non-current liabilities	**88**	18,241
	(2,373)	16,619

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. There is no aggregate amount of temporary differences associated with the earnings of subsidiaries in Mainland China available for distribution for which deferred tax liabilities have not been recognised at 31 December 2022.

At 31 December 2022, there were no significant unrecognised deferred tax liabilities (2021: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

The Group has tax losses arising in Hong Kong of HK$45,400,000 (2021: HK$33,406,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, of which the respective tax losses are subject to agreement by the Inland Revenue Department in Hong Kong. Deferred tax assets have not been recognised in respect of such tax losses due to the unpredictability of future profit streams.

39. SHARE CAPITAL

	2022		2021	
	Number of ordinary shares '000	**Share capital HK$'000**	Number of ordinary shares '000	Share capital HK$'000 (Restated)
Authorised:				
Ordinary shares of HK$0.01 each	**5,000,000**	**50,000**	5,000,000	50,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**2,274,123**	**22,741**	1,810,123	18,101
Issue of new shares upon exercise of share options	**–**	**–**	102,000	1,020
Placing of shares (note below)	**–**	**–**	362,000	3,620
At 31 December	**2,274,123**	**22,741**	2,274,123	22,741

Note:

On 11 June 2021, arrangements were made for a private placement to independent private investors of 362,000,000 ordinary shares of HK$0.01 each at a price of HK$0.068 per ordinary share representing a discount of approximately 13.49% to the closing market price of the Company's ordinary shares on 11 June 2021.

Pursuant to a subscription agreement of the same date, independent private investors subscribed for 362,000,000 new ordinary shares of HK$0.01 each in the Company at a price of HK$0.068 per ordinary share. The proceeds were used to develop the financial service business of the Group, including but not limited to, strengthening the operation of the margin financing business of the Group. These new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 26 June 2020 and rank pari passu with other shares in issue in all respects.

40. SHARE OPTION SCHEMES

(A) 2011 Share Option Scheme

On 22 June 2011, the Company operated a share option scheme (the "2011 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2011 Share Option Scheme include, among others, the Company's Directors, including independent non-executive Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and the Company's Shareholders.

The 2011 Share Option Scheme had a life of 10 years and was expired on 21 June 2021 such that no further options shall thereafter be offered under the 2011 Share Option Scheme but the options, which had been granted during its life, shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects, the provisions of the 2011 Share Option Scheme shall remain in full force and effect.

40. SHARE OPTION SCHEMES (continued)

(B) 2021 Share Option Scheme

On 25 June 2021, a new share option scheme was adopted by the Shareholders at the annual general meeting of the Company (the "2021 Share Option Scheme") for the purpose of providing an incentive or a reward to selected eligible participants for their contribution or potential contribution to, and continuing efforts to promote the interests of, the Group or any invested entity and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any invested entity. Eligible participants of the 2021 Share Option Scheme include, among others, (i) any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any invested entity; (ii) any Director (including executive, non-executive and independent non-executive Directors) of the Company, any of the subsidiaries or any invested entity; (iii) any supplier of goods or services to any member of the Group or any invested entity; (iv) any customer of the Group or any invested entity; or (v) any business or joint venture partners, contractors, agents or representatives, consultants, advisers or service providers that provides research, development, professional services or other technological support to the Group or any invested entity.

The 2021 Share Option Scheme has a life of 10 years and no options were granted since the date of its adoption.

A summary of the general terms of the 2011 Share Option Scheme and the 2021 Share Option Scheme (the "Share Option Schemes") are as follows:

(i) Maximum number of shares available for issue

The total number of shares which may be issued upon exercise of all options to be granted under the 2021 Share Option Scheme shall not exceed 10% of the shares in issue as at the date of approval of the 2021 Share Option Scheme, provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Schemes shall not exceed 30% of the shares in issue from time to time.

Up to the date of approval of these consolidated financial statements, the total number of shares available for issue under the 2021 Share Option Scheme is 191,212,300, representing approximately 8.4% of the issued shares of the Company as at the date of this report.

40. SHARE OPTION SCHEMES (continued)

(ii) Grant of share options to connected persons or any of their associates

Share options granted to a connected person (including but not limited to a Director, chief executive or substantial Shareholder of the Company), or to any of its associates, are subject to approval in advance by the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of the option). Any share options are proposed to be granted to a connected person who is also a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares on the date of grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

(iii) Maximum entitlement of each eligible participant

The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant or grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

(iv) Time of exercise of options

The exercise period of the share options granted is determinable by the Directors, and ends on a date which is no longer than ten years from the date of grant of the share options.

(v) Acceptance of Offer

The offer of a grant of share options shall be accepted by the grantee within 28 days for 2011 Share Option Scheme and 21 days for 2021 Share Option Scheme from the date of offer when the duplicate letter comprising acceptance of the share option was duly signed by the grantee together with a payment to the Company of HK$1 as nominal consideration of the grant.

(vi) Subscription price for shares

The exercise price of share options shall be determinable by the Directors at its absolute discretion, but in any event will not be less than the highest of: (i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheets of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date.

40. SHARE OPTION SCHEMES (continued)

Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings.

Movements of share options granted under 2011 Share Option Scheme during the year are as follows:

	2022		2021	
	Weighted average exercise price per share HK$	**Number of shares issuable under options '000**	Weighted average exercise price per share HK$	Number of shares issuable under options '000
As at 1 January	**1.090**	**84,635**	1.430	76,325
Granted during the year	**–**	**–**	0.084	159,000
Exercised during the year	**–**	**–**	0.084	(102,000)
Cancelled during the year	**–**	**–**	0.084	(39,000)
Forfeited during the year	**1.576**	**(38,235)**	1.880	(9,690)
At 31 December	**0.695**	**46,400**	1.090	84,635

40. SHARE OPTION SCHEMES (continued)

The following options granted under 2011 Share Option Scheme were forfeited during the years ended 31 December 2022 and 2021:

2022 Number of shares options forfeited/lapsed '000	**Exercise price per share HK$**	**Exercisable period**
6,908	**2.940**	**21-06-2013 to 20-06-2022**
14,290	**1.830**	**26-09-2015 to 25-09-2024**
17,037	**0.810**	**18-01-2017 to 27-12-2025**
38,235		

2021 Number of shares options forfeited/lapsed '000	Exercise price per share HK$	Exercisable period
8,790	1.920	14-10-2012 to 13-10-2021
150	2.940	21-06-2013 to 20-06-2022
250	1.830	26-09-2015 to 25-09-2024
500	0.810	18-01-2017 to 27-12-2025
9,690		

The exercise prices and exercisable periods of the share options granted under 2011 Share Option Scheme outstanding as at the end of the reporting period are as follows:

2022 Number of shares issuable under options '000	**Exercise price per share HK$**	**Exercisable period**
7,600	**1.830**	**26-09-2015 to 25-09-2024**
11,100	**0.810**	**18-01-2017 to 27-12-2025**
9,700	**0.810**	**20-01-2017 to 27-12-2025**
18,000	**0.084**	**22-01-2021 to 21-01-2031**
46,400		

40. SHARE OPTION SCHEMES (continued)

2021 Number of shares issuable under options '000	Exercise price per share HK$	Exercisable period
6,908	2.940	21-06-2013 to 20-06-2022
21,890	1.830	26-09-2015 to 25-09-2024
28,137	0.810	18-01-2017 to 27-12-2025
9,700	0.810	20-01-2017 to 27-12-2025
18,000	0.084	22-01-2021 to 21-01-2031
84,635		

At the end of the reporting period, the Company had options outstanding to subscribers for 46,400,000 (2021: approximately 84,635,000) shares under the 2011 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 46,400,000 (2021: approximately 84,635,000) additional ordinary shares of the Company which would give rise to the total proceeds of approximately HK$32,268,000 (2021: approximately HK$92,528,000).

On 22 January 2021, share options to subscribe for 159,000,000 new ordinary shares of HK$0.01 each of the Company were granted by the Company to certain Directors, employees and consultants of the Group, subject to acceptance of the grantees, under the 2011 Share Option Scheme. Each of the share options shall entitle the holder of the share option to subscribe for one new ordinary share of the Company at an exercise price of HK$0.084 per share during the exercisable period from 22 January 2021 to 21 January 2031. Details of the share options granted by the Company are set out in the Company's announcement dated 22 January 2021.

On 23 February 2021, the Company and certain consultants have mutually agreed to settle the relevant fees under the consultancy agreements by way of cash in place of 39,000,000 share options granted by the Company to the consultants. Pursuant to the terms of the 2011 Share Option Scheme, the consultants have made written request to the Company for the cancellation of relevant share options. Accordingly, the Company has given a written notice to the consultants, under which relevant share options were cancelled with effect from 24 February 2021. Details of the cancellation of the share options are set out in the Company's announcements dated 23 February 2021 and 21 October 2022.

Up to the date of approval of these consolidated financial statements, the Company had 46,400,000 shares issuable under the options, which represented approximately 2.04% of the Company's shares in issue as at that date.

41. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity set out on pages 69 and 70.

Statutory reserve fund

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entities' registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital of the respective entity after such usages.

42. ACQUISITION OF SUBSIDIARIES

	2022 HK$'000	2021 HK$'000 (Restated)
Net outflow of cash and bank balances on the acquisition of:		
– Global Compliance Consulting Limited *(note(a))*	–	(1,391)
Net cash outflow included in cash flows used in investing activities	–	(1,391)

(a) Acquisition of subsidiary during the year ended 31 December 2021

Acquisition of Global Compliance Consulting Limited ("GCC")

On 23 December 2020, the Group, as purchaser, and an independent third party, as vendor, entered into a sale and purchase agreement, pursuant to which the vendor has agreed to sell and the purchaser has agreed to acquire 60% issued share capital of GCC for a consideration of HK$4,500,000.

GCC is principally engaged in the provision of consultancy services. Completion of the acquisition of GCC took place on 4 January 2021. Following completion, GCC became a subsidiary of the Company.

The acquisition of GCC has been accounted for using the purchase method. Assets and liabilities recognised at the date of acquisition:

	HK$'000 (Restated)
Assets	
Property, plant and equipment	**558**
Trade receivables	**323**
Amount due to non-controlling interest	**371**
Cash and bank balances	**525**
Liabilities	
Other payables and accruals	**(17)**
Lease liabilities	**(559)**
Bank borrowings	**(720)**
Income tax payable	**(481)**
Total identifiable net assets acquired	**–**

The trade receivables acquired with a fair value of HK$323,000 at the date of acquisition had gross contractual amount of HK$323,000. No contractual cash flows from the receivables are expected to be irrecoverable.

42. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiary during the year ended 31 December 2021 (continued)

Acquisition of Global Compliance Consulting Limited ("GCC") (continued)

Goodwill arising on acquisition

	HK$'000 (Restated)
Consideration transferred	
– Cash paid	2,250
– Promissory notes issued	2,250
	4,500
Recognised amount of identifiable net assets acquired	–
Goodwill on acquisition	**4,500**

Net cash outflow in respect of the acquisition of GCC is as follows:

	HK$'000 (Restated)
Consideration paid in cash	(2,250)
Cash and bank balances acquired	525
Net cash outflow	**(1,725)**

Included in loss of the Group for the prior year ended 31 December 2021 is profit of HK$1,081,000 attributable to the additional business generated by GCC. The Group's revenue for the prior year ended 31 December 2021 includes HK$3,082,000 generated from GCC.

Had the acquisition been completed on 1 January 2021, revenue from discontinued operations for the prior year ended 31 December 2021 of the Group would have been HK$614,449,000 and loss for the prior year ended 31 December 2021 of the Group from discontinued operations would have been HK$97,049,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit/loss from discontinued operations of the Group had GCC been acquired at the beginning of the prior year ended 31 December 2021, the directors of the Company have:

- calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

43. DISPOSAL OF SUBSIDIARIES

	2022 HK$'000	2021 HK$'000 (Restated)
Net cash inflow/(outflow) on disposal of:		
– 青蛙王子（福建）嬰童護理用品有限公司 *(note (a)(i))*	**(22,522)**	–
– Global Compliance Consulting Limited *(note (a)(ii))*	**(265)**	–
– Brisk Day Limited *(note (a)(iii))*	**(1,725)**	–
– 上海柒色蝌蚪母嬰用品有限公司 *(note (b)(i))*	**–**	2,094
Other subsidiaries *(note (b)(ii))*	**–**	(1,527)
Net cash (outflow)/inflow included in cash flows used in investing activities	**(24,512)**	567

(a) Disposal of subsidiaries during the year ended 31 December 2022

(i) Disposal of 青蛙王子（福建）嬰童護理用品有限公司

On 4 July 2022, the Company entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, 青蛙王子（福建）嬰童護理用品有限公司, for an aggregate cash consideration of RMB50,000,000 (equivalent to HK$58,617,000). 青蛙王子（福建）嬰童護理用品有限公司 and its subsidiary were principally engaged in the sales of personal care products. The disposal was completed on 31 August 2022. Upon completion, the operations of 青蛙王子（福建）嬰童護理用品有限公司 and its subsidiary are accounted for discontinued operations. Please see note 12 for details.

An analysis of assets and liabilities over which control was lost:

	HK$'000
Assets	
Property, plant and equipment	**115,507**
Right-of-use assets	**5,302**
Inventories	**85,478**
Financial assets at fair value through profit or loss	**15,240**
Trade and bills receivables	**172,110**
Prepayments, deposits and other receivables	**40,383**
Pledged bank deposits	**14,047**
Cash and cash equivalents	**81,139**
Liabilities	
Trade and bills payables	**(327,411)**
Other payables and accruals	**(79,116)**
Bank and other borrowings	**(67,878)**
Net assets disposed of	**54,801**

43. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries during the year ended 31 December 2022 (continued)

(i) Disposal of 青蛙王子(福建)嬰童護理用品有限公司 (continued)

Loss on disposal of subsidiaries

	HK$'000
Cash consideration	58,617
Net assets disposed of	(54,801)
Exchange fluctuation reserve released upon disposal	(5,410)
Loss on disposal of subsidiaries	**(1,594)**

Net cash outflow from the disposal of subsidiaries

	HK$'000
Cash consideration received	58,617
Cash and bank balances disposed of	(81,139)
	(22,522)

43. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries during the year ended 31 December 2022 (continued)

(ii) Disposal of Global Compliance Consulting Limited

On 30 September 2022, the Company entered into an agreement with the holder of 40% minority interest in Global Compliance Consulting Limited to dispose of 60% equity interest in a subsidiary, Global Compliance Consulting Limited, for an aggregate consideration of HK$1,800,000. Global Compliance Consulting Limited was principally engaged in the provision of consultancy. The disposal was completed on 30 September 2022. Upon completion, the operations of Global Compliance Consulting Limited are accounted for discontinued operations. Please see note 12 for details.

An analysis of assets and liabilities over which control was lost:

	HK$'000
Assets	
Property, plant and equipment	256
Deferred tax assets	149
Goodwill	3,825
Trade and bills receivables	215
Income tax recoverable	172
Prepayments, deposits and other receivables	445
Cash and cash equivalents	265
Liabilities	
Other payables and accruals	(78)
Lease liabilities	(439)
Bank and other borrowings	(656)
Net assets disposed of	**4,154**

43. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries during the year ended 31 December 2022 (continued)

(ii) Disposal of Global Compliance Consulting Limited (continued)

Loss on disposal of subsidiaries

	HK$'000
Cash consideration	–
Promissory note returned	1,800
Net assets disposed of	(4,154)
Non-controlling interests	132
Loss on disposal of subsidiaries	**(2,222)**

Net cash outflow from the disposal of subsidiaries

	HK$'000
Cash consideration received	–
Cash and bank balances disposed of	(265)
	(265)

43. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries during the year ended 31 December 2022 (continued)

(iii) Disposal of Brisk Day Limited

On 31 December 2022, the Company disposed of 100% equity interest in a subsidiary, Brisk Day Limited. Brisk Day Limited and its subsidiaries were principally engaged in the finance lease and factoring businesses. Upon completion, the operations of Brisk Day Limited and its subsidiaries are accounted for discontinued operations. Please see note 12 for details.

An analysis of assets and liabilities over which control was lost:

	HK$'000
Assets	
Property, plant and equipment	19
Right-of-use assets	81
Finance lease receivables	325
Factoring receivables	1,354
Prepayments, deposits and other receivables	423
Cash and cash equivalents	1,725
Liabilities	
Other payables and accruals	(3,693)
Lease liabilities	(86)
Income tax payable	(45)
Net assets disposed of	**103**

43. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries during the year ended 31 December 2022 (continued)

(iii) Disposal of Brisk Day Limited (continued)

Loss on disposal of subsidiaries

	HK$'000
Cash consideration	–*
Net assets disposed of	(103)
Loss on disposal of subsidiaries	**(103)**

Net cash outflow from the disposal of subsidiaries

	HK$'000
Cash consideration received	–*
Cash and bank balances disposed of	(1,725)
	(1,725)

* The amount is less than HK$1,000.

43. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiaries during the year ended 31 December 2021

(i) Disposal of 上海柒色蝌蚪母嬰用品有限公司

On 7 February 2021, the Company entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, 上海柒色蝌蚪母嬰用品有限公司, for an aggregate cash consideration of RMB2,000,000. 上海柒色蝌蚪母嬰用品有限公司 and its subsidiary were principally engaged in the sales of personal care products. The disposal was completed on 3 March 2021.

An analysis of assets and liabilities over which control was lost:

	HK$'000 (Restated)
Assets	
Property, plant and equipment	13
Inventories	126
Prepayments, deposits and other receivables	1,259
Cash and bank balances	315
Liabilities	
Trade payables	(1,230)
Other payables and accruals	(151)
Net assets disposed of	**332**

43. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiaries during the year ended 31 December 2021 (continued)

(i) Disposal of 上海柒色蝌蚪母嬰用品有限公司 (continued)

Gain on disposal of subsidiaries

	HK$'000 (Restated)
Cash consideration	2,409
Net assets disposed of	(332)
Gain on disposal of subsidiaries	2,077

Net cash inflow from the disposal of subsidiaries

	HK$'000
Cash consideration received	2,409
Cash and bank balances disposed of	(315)
Net cash inflow	2,094

(ii) Disposal of other subsidiaries

Save as disclosed on note (b)(i) above, the Company disposed certain subsidiaries during the year ended 31 December 2021. These subsidiaries were inactive for the year ended 31 December 2021.

An analysis of aggregated assets and liabilities of other subsidiaries over which control was lost:

	HK$'000 (Restated)
Assets	
Prepayments, deposits and other receivables	641
Cash and bank balances	1,527
Liabilities	
Other payables and accruals	(658)
Income tax payable	(630)
Amounts due to group companies	(1,182)
Net liabilities disposed of	(302)

43. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiaries during the year ended 31 December 2021 (continued)

(ii) Disposal of other subsidiaries (continued)

Gain on disposal of other subsidiaries in aggregate

	HK$'000 (Restated)
Cash consideration	–*
Net liabilities disposed of	302
Gain on disposal of subsidiaries	302

* less than HK$1,000

Net cash outflow from the disposal of other subsidiaries in aggregate

	HK$'000 (Restated)
Cash consideration received	–*
Cash and bank balance disposed of	(1,527)
Net cash outflow	(1,527)

* less than HK$1,000

44. 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.

	Interest payables (included in other payables and accruals) HK$'000	Promissory notes payable HK$'000	Bank borrowings HK$'000	Other borrowings HK$'000	Leases liabilities HK$'000	Total HK$'000
At 1 January 2021 (Restated)	2,221	–	59,382	128,382	24,917	214,902
Financing cash inflows	–	–	188,169	–	–	188,169
Financing cash outflows	–	–	(161,126)	(57,227)	(9,393)	(227,746)
Issue of promissory note from acquisition of subsidiaries	–	2,250	–	–	–	2,250
Recognition of right-of-use assets and lease liabilities	–	–	–	–	11,573	11,573
Finance costs for the year	4,370	–	–	–	1,650	6,020
Terminate of lease agreement	–	–	–	–	(1,014)	(1,014)
Interest paid included in operating cash flows	(3,310)	–	–	–	(1,650)	(4,960)
New loan from acquisition of subsidiaries	–	–	720	–	–	720
Exchange realignment	93	–	1,965	1,833	17	3,908
At 31 December 2021 and 1 January 2022 (Restated)	3,374	2,250	89,110	72,988	26,100	193,822
Financing cash inflows	–	–	136,955	–	–	136,955
Financing cash outflows	(2,128)	–	(141,585)	(70,210)	(11,495)	(225,418)
Gain on cancellation of promissory note	–	(450)	–	–	–	(450)
Recognition of right-of-use assets and lease liabilities	–	–	–	–	2,430	2,430
Finance costs for the year	2,795	–	–	–	1,360	4,155
Interest paid included in operating cash flow	(2,595)	–	–	–	(1,360)	(3,955)
Impact on disposal of subsidiaries	–	(1,800)	(68,534)	–	(525)	(70,859)
Exchange realignment	–	–	(2,716)	(2,778)	216	(5,278)
At 31 December 2022	**1,446**	**–**	**13,230**	**–**	**16,726**	**31,402**

45. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of learned premises. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of both HK$2,920,000 (2021: both HK$11,000,000).

46. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 **HK$'000**	2021 HK$'000 (Restated)
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	–	5,834

47. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2022 and 2021.

48. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances with related parties detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2022 HK$'000**	2021 HK$'000 (Restated)
Associates:			
Sale of products	(a)	**–**	93,049
Purchase of products	(a)	**–**	(7,138)
License fee	(b)	**–**	(976)
Substantial shareholders:			
Consultancy fee	(c)	**(120)**	(120)
Commission income	(c)	**835**	–
Non-controlling interests:			
Consultancy fee	(d)	**(280)**	(946)
Asset management fee	(e)	**–**	(788)
Service fee	(e)	**–**	(900)
Service income	(e)	**–**	1,623

Notes:

(a) Sale to, purchase from and miscellaneous income from an associate, Fujian Herun, were made on mutually agreed terms.

(b) License fee paid to an associate, Frog Prince Brand, was made on mutually agreed terms.

(c) Consultancy fee paid to and commission income received from substantial shareholders were made on mutually agreed terms.

(d) Consultancy fee paid to three non-controlling interests individuals was made on mutually agreed terms.

(e) Asset management fee and service fee paid to and service income received from a non-controlling interest individual were made on mutually agreed terms.

(f) The related party transactions with a company with common director, Mr. Lau Ka Ho, were carried out in accordance with the terms and conditions mutually agreed by the contracting parties.

(ii) Compensation of key management personnel of the Group

Further details of directors' and the chief executive's remuneration are included in note 12 to these consolidated financial statements.

49. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2022

	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through other comprehensive income	–	17,478	–	17,478
Loan and interest receivables	–	–	2,502	2,502
Trade and bills receivables	–	–	136,848	136,848
Financial assets included in prepayments, deposits and other receivables	–	–	40,790	40,790
Pledged bank deposits	–	–	3,000	3,000
Cash held on behalf of clients	–	–	161,270	161,270
Cash and bank balances	–	–	307,094	307,094
	–	17,478	651,504	668,982

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
Trade and bills payables	171,408
Financial liabilities included in other payables and accruals	12,213
Bank and other borrowings	13,230
Amounts due to non-controlling interests	3,918
Lease liabilities	16,727
	217,496

49. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2021

	Financial assets at fair value through profit or loss HK$'000 (Restated)	Financial assets at fair value through other comprehensive income HK$'000 (Restated)	Financial assets at amortised cost HK$'000 (Restated)	Total HK$'000 (Restated)
Financial assets				
Financial assets at fair value through other comprehensive income	–	61,848	–	61,848
Finance lease receivables	–	–	10,438	10,438
Factoring receivables	–	–	2,911	2,911
Loan and interest receivables	–	–	27,656	27,656
Trade and bills receivables	–	–	236,536	236,536
Financial assets included in prepayments, deposits and other receivables	–	–	20,017	20,017
Other financial assets	21,243	–	–	21,243
Pledged bank deposits	–	–	27,217	27,217
Cash held on behalf of clients	–	–	102,230	102,230
Cash and bank balances	–	–	445,293	445,293
	21,243	61,848	872,298	955,389

	Financial liabilities at amortised cost HK$'000 (Restated)
Financial liabilities	
Trade and bills payables	439,413
Financial liabilities included in other payables and accruals	11,016
Bank and other borrowings	162,098
Promissory notes payable	2,250
Amounts due to associates	–
Amounts due to non-controlling interests	903
Lease liabilities	26,140
	641,820

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include pledged bank deposits, cash and bank balances and financial assets at fair value through other comprehensive income. The Group has various other financial assets and liabilities such as finance lease receivables, factoring receivables, loan and interest receivables, trade receivables, financial assets included in prepayments, deposits and other receivables, amount due from an associate, amount due from a joint venture, other financial assets, cash held on behalf of clients, trade and bills payables, financial liabilities included in other payables and accruals, bank and other borrowings, promissory notes payable, lease liabilities, and amounts due to associates and non-controlling interests, which arise directly from its operations.

The Group has not entered into derivative transactions, including principally foreign currency forward contracts throughout the current year under review.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits with floating interest rates and bank and other borrowings which carried interest at floating interest rates. The Group regularly reviews and monitors the floating interest rate in order to manage its interest rate risks. The directors have reviewed the Group's interest-bearing financial instruments and determined that the Group has no significant interest rate risk.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. There is no impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates as the Group have no instruments bearing interest at IBOR as at 31 December 2022. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would decrease/increase by HK$2,291,000 (2021: decrease/increase by HK$1,661,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits and bank and other borrowings (2021: bank deposits and bank and other borrowings).

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sale and purchase transactions and cash and bank balances denominated in currencies other than the functional currencies of the group entities, mainly being United States dollars ("US$") and RMB.

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's loss before tax.

	Decrease/(increase) in loss before tax	
	2022	2021
	HK$'000	HK$'000
If HK$ strengthens against RMB by 5%	**340**	5,802
If HK$ weakens against RMB by 5%	**(340)**	(5,802)

Credit risk

The Group is exposed to credit risk for its financial assets and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group considers the probability of default upon initial recognition of financial assets which principally represented trade receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. The following indicators are incorporated:

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

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(i) Amounts due from a joint venture and financial assets included in prepayments, deposits and other receivables

The Group uses four categories for receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are two years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2022, the internal credit rating of amounts due from a joint venture is "performing". The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance for amounts due from an associate and a joint venture was recognised.

In accordance with the Group's internal credit rating assessment, financial assets included in prepayments, deposits and other receivables are "performing" and 12 months expected losses method is applicable to these receivables.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(ii) Loan and interest receivables and factoring receivables

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are two years past due and there is no reasonable expectation of recovery or borrowers are bankruptcy	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

In accordance with the Group's internal credit rating assessment, most of the loan and interest receivables and factoring receivables are "performing" and 12 months expected losses method is applicable to these receivables. A reversal of allowance for loan and interests receivables was recognised for the year amounted to HK$1,171,000 (2021: A reversal of allowance for loan and interests receivables was recognised amounted to HK$141,000). No loss allowance for factoring receivables was recognised.

The Group has significant concentration of credit risk in relation to loan and interest receivables as approximately 48% (2021: 23%) and 97% (2021: 77%) of such receivables are due from one borrower and the top five borrowers respectively. The Group has significant concentration of credit risk in relation to factoring receivables as approximately 16% and 54% in 2021 of such receivables are due from one borrower and the top five borrowers respectively. In 2022, the Group has no more factoring receivables.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(iii) Trade receivables, finance lease receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses for trade receivables, finance lease receivables and contract assets prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for these receivables.

The loss allowance for trade receivables as at 31 December 2022 was determined as follows:

	Not past due	0-30 days past due	More than 30 days past due	Total
31 December 2022				
Expected loss rate	**0%-5%**	**5%**	**5%-50%**	
Gross carrying amount (HK$'000)	**110,887**	**21,504**	**8,234**	**140,625**
Loss allowance (HK$'000)	**1,068**	**572**	**2,137**	**3,777**

The loss allowance for trade receivables as at 31 December 2021 was determined as follows:

	Not past due	0-30 days past due	More than 30 days past due	Total
31 December 2021				
Expected loss rate	**0%-23%**	**0%-23%**	**0%-61%**	
Gross carrying amount (HK$'000)	**185,817**	**39,696**	**52,319**	**277,832**
Loss allowance (HK$'000)	**10,434**	**5,767**	**25,095**	**41,296**

There is no finance lease receivables as at 31 December 2022.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(iii) Trade receivables, finance lease receivables and contract assets (continued)

The loss allowance for finance lease receivables as at 31 December 2021 was determined as follows:

	Not past due	0-30 days past due	More than 30 days past due	Total
31 December 2021				
Expected loss rate	**0%-37%**	**0%-75%**	**0%-75%**	
Gross carrying amount (HK$'000)	**12,548**	**7,189**	**3,447**	**23,184**
Loss allowance (HK$'000)	**4,589**	**5,514**	**2,643**	**12,746**

There is no loss allowance recognised for contract assets as at 31 December 2022 and 2021.

The above expected credit losses also incorporated forward looking information.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2022, the Group had a concentration of credit risk given that the top customer and top 5 customers accounted for 16% and 42% (2021: 27% and 61%) respectively of the Group's total year end trade receivables balance and the Group had no significant concentration of credit risk arising from finance lease receivables and contract assets (2021: Nil). However, the Group concluded that the credit risk in relation to these customers was not significant because there was no history of default of the customers in recent years. The Group's historical experience in collection of receivables fell within recorded allowance and the directors did not expect any major impairment on trade receivables, and receivables from other counterparties.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(iv) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	**2022 HK$'000**	2021 HK$'000
Cash at banks and bank deposits	Baa2-Aa1	**307,002**	445,265
Cash held on behalf of clients	A2-Aa2	**161,270**	102,230

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. Credit rating with a minimum of "Baa2" are judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

To manage liquidity risk, the Group regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and financial institutions to meet its liquidity requirements in the short and longer term. The directors are of the opinion that the Group will be able to finance its future working capital and financial requirements.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's non-derivative financial liabilities and derivative financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

At 31 December 2022	**Within 1 year HK$'000**	**More than 1 Year but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities					
Trade and bills payables	**171,408**	**–**	**–**	**171,408**	**171,408**
Financial liabilities included in other payables and accruals	**12,213**	**–**	**–**	**12,213**	**12,213**
Promissory notes payable	**–**	**–**	**–**	**–**	**–**
Bank and other borrowings	**13,627**	**–**	**–**	**13,627**	**13,230**
Amounts due to non-controlling interests	**3,918**	**–**	**–**	**3,918**	**3,918**
Lease liabilities	**10,487**	**7,064**	**–**	**17,551**	**16,726**
	211,653	**7,064**	**–**	**218,717**	**217,495**

At 31 December 2021	Within 1 year HK$'000 (Restated)	More than 1 Year but less than 5 years HK$'000 (Restated)	More than 5 years HK$'000 (Restated)	Total undiscounted cash flows HK$'000 (Restated)	Carrying amount HK$'000 (Restated)
Non-derivative financial liabilities					
Trade and bills payables	439,413	–	–	439,413	439,413
Financial liabilities included in other payables and accruals	11,017	–	–	11,017	11,017
Promissory notes payable	2,250	–	–	2,250	2,250
Bank and other borrowings	163,949	605	71	164,625	162,098
Amounts due to associates	–	–	–	–	–
Amounts due to non-controlling interests	903	–	–	903	903
Lease liabilities	11,999	16,083	–	28,082	26,100
	629,531	16,688	71	646,290	641,781

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

The Group's equity securities listed in Hong Kong and unlisted investment fund included in financial assets at FVTOCI and listed bonds and other unlisted products included in other financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets at 31 December 2022 were determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2022 HK$'000	31 December 2021 HK$'000 (Restated)		
Financial assets at FVTOCI				
Equity securities listed in Hong Kong	**2,757**	5,950	Level 1	Quoted bid prices in an active market
Unlisted investment fund	**14,721**	55,898	Level 2	Proportion of net asset value
Other financial assets at FVTPL				
Equity securities listed in Hong Kong	**–**	11,687	Level 1	Quoted bid prices in an active market
Other unlisted products	**–**	9,556	Level 2	Final settlement amount (2021: latest transaction price)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis. (continued)

The fair value of all the equity securities listed in Hong Kong at 31 December 2022 was measured based on the quoted bid price as at 31 December 2022, being the last trading date of the securities for the year ended 31 December 2022 (2021: same).

The fair value of unlisted investment fund at 31 December 2022 was measured based on the valuation performed by fund managers by reference of the proportion of their respective net assets value (2021: same).

The fair value of other unlisted products is determined by reference to the final settled amount at 31 December 2021.

There were no transfers between Level 1 and 2 in the year ended 31 December 2022.

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis but fair value disclosures are required.

The directors considered that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximated their fair values. The fair values, which were included in Level 3 categories were determined in accordance with generally accepted pricing models based on a discounted cash flows analysis, with the most significant inputs being the discount rate that reflected the credit risk of counterparties.

(c) Reconciliation of Level 3 fair value measurements

The Group's financial assets and financial liabilities carried at fair value were measured at fair value on Level 1 and Level 2 fair value measurement. Reconciliation of Level 3 fair value measurement is not presented.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000 (Restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	**154,190**	154,191
Interest in a joint venture	**996**	996
	155,186	155,187
CURRENT ASSETS		
Prepayments, deposits and other receivables	**161**	308
Amounts due from subsidiaries	**102,978**	132,196
Cash and bank balances	**129,456**	90,853
	232,595	223,357
CURRENT LIABILITIES		
Other payables and accruals	**5,094**	2,753
	5,094	2,753
NET CURRENT ASSETS	**227,501**	220,604
TOTAL ASSETS LESS CURRENT LIABILITIES	**382,687**	375,791
	382,687	375,791
EQUITY		
Share capital	**22,741**	22,741
Reserves *(note)*	**359,946**	353,050
	382,687	375,791

The Company's statement of financial position was approved and authorised for issue by the board of directors on 24 March 2023 and is signed on its behalf by:

Lau Ka Ho *Director*	**Chan Hoi Tik** *Director*

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	FVTOCI revaluation reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2020 and 1 January 2021 (Restated)	676,652	42,907	(5,478)	(85,711)	20	(277,195)	351,195
Loss for the year	–	–	–	–	–	(31,046)	(31,046)
Other comprehensive income for the year							
Loss on change in fair value of financial assets at FVTOCI	–	–	–	(456)	–	–	(456)
Disposal of financial assets at FVTOCI	–	–	–	86,167	–	(86,167)	–
Total comprehensive expense for the year	–	–	–	85,711	–	(117,213)	(31,502)
Placing of new shares	–	–	–	–	–	–	–
Issue of new shares upon exercise of share options	10,476	(2,928)	–	–	–	–	7,548
Share issue expenses	(415)	–	–	–	–	–	(415)
Issue of shares	20,992	–	–	–	–	–	20,992
Transferred to accumulated losses upon cancellation of share options	–	(1,677)	–	–	–	1,677	–
Recognition of equity-settled share-based payment	–	5,232	–	–	–	–	5,232
Transferred to accumulated losses upon forfeiture of share options	–	(7,194)	–	–	–	7,194	–
At 31 December 2021 (Restated)	707,705	36,340	(5,478)	–	20	(385,537)	353,050
At 31 December 2021 (Restated) and 1 January 2022	**707,705**	**36,340**	**(5,478)**	**–**	**20**	**(385,537)**	**353,050**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**6,896**	**6,896**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**6,896**	**6,896**
Placing of new shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of new shares upon exercise of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share issue expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transferred to accumulated losses upon cancellation of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transferred to accumulated losses upon forfeiture of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**707,705**	**36,340**	**(5,478)**	**–**	**20**	**(378,641)**	**359,946**

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The capital reserve represents the excess of the nominal value of the Company's shares issued in exchange therefor over the then net asset value of the subsidiaries acquired.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

53. SUBSIDIARIES

(a) General information of subsidiaries

The following table lists principal subsidiaries of the Company as at 31 December, 2022 and 2021 which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of all other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group			
				Directly		Indirectly	
				2022	2021	**2022**	2021
福建省青蛙王子化妝品有限公司	Investment holdings	PRC	Nil (2021: Nil)	**–**	100%	**–**	–
青蛙王子 (福建) 嬰童護理用品有限公司[2]	Manufacture and sale of personal care products	PRC	RMB50,000,000 (2021: RMB50,000,000)	**–**	–	**–**	100%
天一融資租賃 (深圳) 有限公司	Finance lease	PRC	Nil (2021: Nil)	**–**	–	**–**	100%
Chance Billion Limited	Investment holdings	BVI	US$1 (2021: US$1)	**100%**	100%	**–**	–
PFH Finance Limited	Money lending	Hong Kong	HK$2 (2021: HK$2)	**–**	–	**100%**	100%
Ayasa Globo Financial Services (BVI) Limited ("Ayasa Globo (BVI)")	Investment in holdings	BVI	US$100 (2021: US$100)	**–**	–	**60%**	60%

53. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group			
				Directly		Indirectly	
				2022	2021	**2022**	2021
Ayasa Globo Financial Services Limited	Provision of professional service	Hong Kong	HK$1 (2021: HK$1)	**–**	–	**60%**	60%
Global Compliance Consulting Limited ("GCC")	Provision of consultancy services to customers	Hong Kong	HK$100 (2021: HK$100)	**–**	–	**–**	36%
Future Growth Financial Services Limited ("FGFS")	Dealing in securities and dealing in futures contracts	Hong Kong	HK$200,000,000 (2021: HK$100,000,000)	**–**	–	**100%**	100%
Future Growth Asset Management Limited ("FGAM")	Advising on securities and asset management	Hong Kong	HK$298,000 (2021: HK$298,000)	**–**	–	**100%**	100%
Advance Global Food Limited	Sale of frozen food and beverage products and provision of related services	Hong Kong	HK$20,000,000 (2021: HK$20,000,000)	**–**	–	**100%**	100%
Golden Yarn Limited	Provision for data analysis services	Hong Kong	HK$10,000 (2021: HK$10,000)	**–**	–	**100%**	100%
China Cold Chain Co. Limited ("China Cold Chain")	Provision of frozen warehouse services	Hong Kong	HK$100 (2021: HK$100)	**–**	–	**70%**	70%
Jumbo Excel Investment Corporation[5] ("Jumbo Excel")	Investment holdings	BVI	US$2 (2021: US$2)	**–**	–	**50%**	50%
Grand Ray Investment Limited ("Grand Ray")	Properties redevelopment	Hong Kong	HK$1 (2021: HK$1)	**–**	–	**50%**	50%
Regent Way Limited ("Regent Way")	Properties redevelopment	Hong Kong	HK$1 (2021: HK$1)	**–**	–	**50%**	50%

53. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group Directly		Indirectly	
				2022	2021	**2022**	2021
Speedy Maker Limited ("Speedy Maker")	Properties redevelopment	Hong Kong	HK$1 (2021: HK$1)	**–**	–	**50%**	50%
Earn Rich Properties Limited	Investment holdings	Hong Kong	HK$1 (2021: HK$1)	**–**	–	**100%**	100%
Nice Source Properties Limited	Properties holdings	Hong Kong	HK$10,000 (2021: HK$10,000)	**–**	–	**100%**	100%

Notes:

1. A wholly-foreign-owned enterprise established under the law of the PRC

2. A limited liability company established under the laws of the PRC

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

4. None of the subsidiaries had issued any debt securities at the end of the year.

5. The Group holds 50% of the issued share capital of Jumbo Excel with the remaining 50% of its issued share capital held by a third party unrelated to the Group and Grand Ray, Regent Way and Speedy Maker are wholly-owned subsidiaries of Jumbo Excel. Pursuant to the acquisition agreement, the Group is granted the right for the exercise of control over the composition of the board of directors of Jumbo Excel. Accordingly, the directors of the Company consider that the Group has control over Jumbo Excel, which is classified as a subsidiary of the Group.

Major changes in the subsidiaries of the Group during the years ended 31 December 2022 and 2021 are summarised as follows:

(i) During the year ended 31 December 2022, the Group disposed 100% issued share capital of 青蛙王子(福建)嬰童護理用品有限公司 together with its subsidiary with RMB50,000,000 as consideration, details of which are set out in note 43(a)(i).

(ii) During the year ended 31 December 2022, the Group disposed 60% issued share capital of Global Compliance Consulting Limited together with its subsidiary with HK$1,800,000 as consideration, details of which are set out in note 43(a)(ii).

53. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Notes: (continued)

(iii) During the year ended 31 December 2021, the Group disposed 100% issued share capital of Plan Ace Holdings Limited with US$10 as consideration.

(b) Summarised financial information on subsidiaries with material non-controlling interests

The table below shows details of subsidiaries with material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000 (Restated)	**2022 HK$'000**	2021 HK$'000 (Restated)
Ayasa Globo (BVI) and its subsidiaries	Note (a) below	**40%**	40%	**3,663**	7,691	**4,790**	7,946
Jumbo Excel and its subsidiaries	Note (b) below	**50%**	50%	**(13,493)**	(1,851)	**33,299**	46,794
China Cold Chain	Note (c) below	**30%**	30%	**(2,111)**	(831)	**(4,173)**	(2,063)

53. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Notes:

(a) Ayasa Globo (BVI) was incorporated in the British Virgin Islands. The subsidiaries of Ayasa Globo (BVI) were incorporated and are operating in Hong Kong and Singapore. Ayasa Globo (BVI) and its subsidiaries are principally engaged in the provision of professional services such as fund setup and administration, legal and tax consultancy and co-ordination, corporate and accounting services, trust and fiduciary services.

(b) Jumbo Excel was incorporated in the British Virgin Islands. The subsidiaries of Jumbo Excel were incorporated in and are operating in Hong Kong. Jumbo Excel and its subsidiaries are principally engaged in properties holding.

(c) China Cold Chain was incorporated in Hong Kong and is principally engaged in provision of frozen warehouse services business.

Set out below are the summarised consolidated financial information for subsidiaries of the Group that have material non-controlling interests.

Summarised consolidated statement of financial position

	Jumbo Excel and its subsidiaries		China Cold Chain Co. Limited		Ayasa Globo (BVI) and its subsidiaries	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000 (Restated)
Non-current assets	**69,000**	94,800	**9,957**	23,009	**7,533**	12,718
Current assets	**10**	3	**3,818**	3,620	**175,495**	45,050
Current liabilities	**(2,423)**	(1,219)	**(24,038)**	(23,936)	**(169,643)**	(34,813)
Non-current liabilities	**–**	–	**(3,634)**	(9,554)	**(1,551)**	(4,169)
Net assets/(liabilities)	**66,587**	93,584	**(13,897)**	(6,861)	**11,834**	18,786
Proportion of non-controlling interests' ownership	**33,299**	46,794	**(4,173)**	(2,063)	**4,790**	7,946

53. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised consolidated statement of profit or loss and other comprehensive income

	Jumbo Excel and its subsidiaries		China Cold Chain Co. Limited		Ayasa Globo (BVI) and its subsidiaries	
	2022 HK$'000	2021 HK$'000 (Restated)	**2022 HK$'000**	2021 HK$'000 (Restated)	**2022 HK$'000**	2021 HK$'000 (Restated)
Revenue and other income	**–**	–	**10,842**	11,902	**63,354**	61,349
Expenses	**(26,989)**	(3,700)	**(17,878)**	(14,674)	**(53,445)**	(43,203)
(Loss)/profit for the year	**(26,989)**	(3,700)	**(7,036)**	(2,772)	**9,909**	18,146
(Loss)/profit for the year allocated to non-controlling interest	**(13,493)**	(1,851)	**(2,111)**	(831)	**3,663**	7,691
Total comprehensive (expense)/income	**(26,989)**	(3,700)	**(7,036)**	(2,772)	**9,909**	18,146
Total comprehensive (expense)/income allocated to non-controlling interests	**(13,493)**	(1,851)	**(2,111)**	(831)	**3,663**	7,691

Summarised consolidated statement of cash flows

	Jumbo Excel and its subsidiaries		China Cold Chain Co. Limited		Ayasa Globo (BVI) and its subsidiaries	
	2022 HK$'000	2021 HK$'000 (Restated)	**2022 HK$'000**	2021 HK$'000 (Restated)	**2022 HK$'000**	2021 HK$'000 (Restated)
Net cash inflow/(outflow) from operating activities	**–**	–	**6,065**	4,970	**25,700**	17,830
Net cash inflow/(outflow) from investing activities	**–**	–	**(25)**	2	**(2,450)**	(11,394)
Net cash (outflow)/inflow from financing activities	**–**	–	**(5,198)**	(4,639)	**(20,588)**	(2,638)
Net cash inflow	**–**	–	**842**	333	**2,662**	3,798

54. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Subsequent to the end of reporting period, trade receivables from two major margin clients have been recovered by HK$32,169,000 under the force liquidation of these margin client collaterals implemented by the Company after the revaluation on credit risk of these clients. After the liquidation of these collaterals, on 9 January 2023, the remaining unsecured margin loan balance to these clients would be approximately HK$10,039,000. The Company is still in the course of negotiating with these margin clients in collecting such margin loan balance. Since the above-mentioned default event occurred after the year end, no provision adjustment should be made in the consolidated financial statements for the year ended 31 December 2022.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2022 **HK$'000**	2021 HK$'000 (restated)	2020 HK$'000 (restated)	2019 HK$'000 (restated)	2018 HK$'000 (restated)
Revenue from continuing operations	**509,359**	602,689	475,200	251,691	73,297
Loss before income tax from continuing operations	**(66,656)**	(867)	(26,130)	(30,677)	(57,249)
Income tax (expense)/credit from continuing operations	**(2,407)**	(1,968)	(5,111)	2,075	(1,593)
Loss for the year from continuing operations	**(69,063)**	(2,835)	(31,241)	(28,602)	(58,842)
Loss for the year from discontinued operations	**(31,735)**	(97,049)	(18,714)	(52,251)	(460,883)
	(100,798)	(99,884)	(49,955)	(80,853)	(519,725)
Attributable to:					
Equity holders of the Company (including discontinued operations)	**(88,857)**	(104,891)	(45,452)	(54,889)	(510,979)
Non-controlling interests (including discontinued operations)	**(11,941)**	5,007	(4,503)	(25,964)	(8,746)
	(100,798)	(99,884)	(49,955)	(80,853)	(519,725)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2022 **HK$'000**	2021 HK$'000 (restated)	2020 HK$'000 (restated)	2019 HK$'000 (restated)	2018 HK$'000 (restated)
Total assets	**913,430**	1,536,565	1,694,825	1,226,348	1,451,840
Total liabilities	**(254,280)**	(748,686)	(839,405)	(343,416)	(487,328)
Non-controlling interests	**33,916**	52,677	51,416	55,106	70,125
	693,066	840,556	906,836	938,038	1,034,637

During the year ended 31 December 2022, the Group announced the disposals of certain subsidiaries that were engaged in businesses of manufacturing and sale of personal care products, compliance advisory services as well as finance leasing and factoring, which are then classified as discontinued operations in its consolidated financial statements.

For the year ended 31 December 2019, the Group announced the disposal of its business of operation of online platform. The operation of online platform is classified as discontinued operations.

The summary above does not form part of the audited financial statements.

PARTICULARS OF MAJOR PROPERTIES

INVESTMENT PROPERTIES

Location	Existing use	Type of lease
Workshops Nos.1,2,3,4,5,13,14,15,16,17,18, 19,20,21,22 of Workshop C6 on G/F of Block C, Hong Kong Industrial Centre, Nos. 489-491 Castle Peak Road, Kowloon	Industrial	Medium term

PROPERTIES FOR DEVELOPMENT

Location	Gross Floor Area (square meter)	Stage of Completion	Lease Expiry	Group's Interest	Anticipated completion
Section A of Lot 2044 in Demarcation District 104, Yuen Long, New Territories	162.70	Pending Stage	2047	50%	N/A
Section B of Lot 2044 in Demarcation District 104, Yuen Long, New Territories	164.50	Pending Stage	2047	50%	N/A
Section A of Lot 2051 in Demarcation District 104, Yuen Long, New Territories	132.90	Pending Stage	2047	50%	N/A
Section A of Lot 2052 in Demarcation District 104, Yuen Long, New Territories	77.70	Pending Stage	2047	50%	N/A
Section A of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	135.30	Pending Stage	2047	50%	N/A
Section B of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	112.80	Pending Stage	2047	50%	N/A
Section C of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	99.70	Pending Stage	2047	50%	N/A

Location	Gross Floor Area (square meter)	Stage of Completion	Lease Expiry	Group's Interest	Anticipated completion
Section D of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	96.90	Pending Stage	2047	50%	N/A
Section A of Lot 2061 in Demarcation District 104, Yuen Long, New Territories	131.10	Pending Stage	2047	50%	N/A
Section B of Lot 2061 in Demarcation District 104, Yuen Long, New Territories	122.80	Pending Stage	2047	50%	N/A