中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)
Stock Code 股份代號：952

2022 年報
Annual Report

Your
Growth
Partner

與你邁向
成功的夥伴

This report is printed on environmentally friendly paper 本報告以環保紙印製

Contents

Definitions

"Board"	means	The board of Directors
"Bye-laws"	means	the memorandum of association and bye-laws of the Company
"China Oceanwide"	means	China Oceanwide Holdings Limited, an indirect subsidiary of Oceanwide Holdings and whose shares are listed on the Stock Exchange (Stock code: 715)
"Company"	means	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 952)
"Director(s)"	means	the director(s) of the Company
"Group"	means	the Company and its subsidiaries
"HK$"	means	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	means	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	means	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	means	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Oceanwide Holdings"	means	Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), a joint stock company incorporated in the PRC the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000046)
"Oceanwide Holdings IF"	means	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Oceanwide Holdings
"PRC"	means	the People's Republic of China, which for the purpose of this annual report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Quam Tonghai Holdings"	means	Quam Tonghai Holdings Limited, a company incorporated in Hong Kong with limited liability, which is beneficially owned as to 51% by Mr. Kenneth LAM Kin Hing and 49% by Mr. HAN Xiaosheng
"SFO"	means	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	means	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	means	holder(s) of the Share(s)
"Stock Exchange"	means	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	means	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
"%"	means	per cent.

For the purpose of this annual report, unless otherwise specified or the context requires otherwise, "" denotes an English translations of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail..*

Corporate Information

BOARD OF DIRECTORS
Mr. HAN Xiaosheng *(Chairman)*
Mr. FANG Zhou *(Deputy Chairman)*
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing *(Chief Executive Officer)*
Mr. LIU Bing^
Mr. ZHAO Yingwei^
Mr. ZHAO Xiaoxia^
Mr. Roy LO Wa Kei#
Mr. KONG Aiguo#
Mr. LIU Jipeng#
Mr. HE Xuehui#
Mr. HUANG Yajun#

^ *Non-Executive Director*
# *Independent Non-executive Director*

EXECUTIVE COMMITTEE
Chairman: Mr. FANG Zhou
Vice-Chairman: Mr. Kenneth LAM Kin Hing
Members: Mr. HAN Xiaosheng
Mr. LIU Hongwei

AUDIT COMMITTEE
Chairman: Mr. Roy LO Wa Kei
Members: Mr. ZHAO Yingwei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

REMUNERATION COMMITTEE
Chairman: Mr. KONG Aiguo
Members: Mr. FANG Zhou
Mr. LIU Hongwei
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

NOMINATION COMMITTEE
Chairman: Mr. HAN Xiaosheng
Members: Mr. Kenneth LAM Kin Hing
Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui

COMPANY SECRETARY
Ms. Hortense CHEUNG Ho Sze

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
18th and 19th Floors, China Building
29 Queen's Road Central, Hong Kong
(Remark: The above address will be changed to
5/F and 24/F (Rooms 2401 and 2412), Wing On Centre,
111 Connaught Road Central, Hong Kong, with effect from 3 April 2023))

AUDITOR
HLB Hodgson Impey Cheng Limited
Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

HONG KONG LEGAL ADVISER
Howse Williams

BERMUDA LEGAL ADVISER
Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd.
Hong Kong Branch
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE
952

WEBSITE OF TONGHAI FINANCIAL GROUP
www.tonghaifinancial.com

INVESTOR RELATIONS
Tel: (852) 2217–2888
Fax: (852) 3905–8731
Email: ir@tonghaifinancial.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of the Company, I would like to present to you the annual report of China Tonghai International Financial Limited (the "Group") for the year ended 31 December 2022.

The Group recorded the consolidated loss before tax of approximately HK$1,584 million for 2022. The loss mainly arose from expected credit losses on certain loans and investment losses. The expected credit losses on certain loans mainly arises from further provisions made to various clients including former connected parties. Investment losses mainly arose from the mark-to-market collateral values of certain clients and our holding of proprietary positions, which have dropped significantly in 2022.

The completion of the change of control on 3 February 2023 marked a new milestone of the Group by removing the uncertainty arose by the receivership of certain shares which commenced since October 2021 and the financial issues encountered by the former controlling shareholders. The management of the Group has been formulating the business strategies of the brokerage, corporate finance and asset management businesses, expanding scope of business, and strengthening the product offerings. The Group would continue to adopt prudent financial management and cost control. All these measures would gradually help to improve the financial performance of the Group and maintain the market competitiveness of the Group.

With the cancellation of various COVID-19 restrictions in Hong Kong and the gradual relaxation of anti-pandemic restrictions on the China, it is expected that the most difficult period is likely to be over soon and the economy of Hong Kong would gradually resume to normalcy. The Group will keep on strengthening the business prospects in order to act as a bridge between China and the rest of the world and capture the opportunity in the post-pandemic era.

On behalf of the Board, I would like to express my gratitude to all employees for their resilience and dedication to help the Group to overcome the severe and adverse environment. I would also like to appreciate our shareholders and stakeholders for their continual support. The Group would keep overcoming internal and external challenges while maintaining sustainable and to create greater value for our investors and shareholders of the Company.

Yours truly,
HAN Xiaosheng
Chairman

Hong Kong, 28 March 2023

Chief Executive Officer's Review

Dear Shareholders,

The silver lining of the announced loss of our HK$1.58 billion for the year 2022, is the constructive steps we have taken to move our 952.HK away from the dark clouds and overhang since the announcement of receivership made on 27 October 2021, and withered the storm of COVID and the weak economy, and trusting the progress we can make in 2023.

Following all the conditions precedent to the Deed of Share Purchase as announced on 15 September 2022 had been fulfilled, the sale and purchase of 66% of the shares of the Company in accordance with the terms and conditions of the Deed of Share Purchase was completed and announced on 3 February 2023. Rest pending is the despatch of the composite document and the completion on the general offer.

And the reasons for the heavy losses in 2022, have been the further provisions of our legacy exposures to the former connected parties, the extended negative effects from the macro environment throughout 2022, and the extra cautions that we have to devise into our transactional encounters. The effects are the shrink in our margin book, hence also the turnover commissions. Liquidity management continued to be the top priorities, together with our expenses control measures.

We acknowledge that, last year's financial result is disappointing, and the management shall be critically looking into the positive turning around of our business, and our returns to shareholders.

Somewhere towards the end of 2022, and also moving into early 2023, at the writing of this report we are pleased to report a few encouraging developments. First is we have managed to slowly regaining confidence from the market and our customers, and re-establishing our stable liquidity flow, as evidenced by our audited reports. Going further, we could expect to regenerate business momentum back into our core business. The improved macro environment is adding impetus to speed up our loan recoveries, and the new initiatives to capture better margins in the regional capital flow.

In order to do that, the following reorganisation are taking place:

(i) Divisional Structure: For enhancing efficient customer servicing, we will confirm to blend our Corporate Finance and Securities offerings to provide one streamlined Equities Chain. We shall strive to satisfy our customers' needs with an integrated perspective.

    The Wealth Management Division shall be transformed by regrouping our Asset Management, our Private Wealth Management, and Quamnet into one Division to encompass the subjects of "Information, Management and Distribution" in providing a "Wealth Care" centric services platform to our customers. Furthermore, the digital age shall require us to enable the "care with Tech", for both transparency and convenience. Asset Protection Advisory shall also be one scope we are adding into this Division.

    Another Division to be formed shall be a hybrid of Territory, and Special skill, being "China and Special Opportunities". We believe that while cross border customers dealing should at all-time be regulatory respected, opportunities still exist when enterprises have cross-border needs. This may translate into capital flowing inwards especially into the GBA or outwards into seeking business compliments. The requirements from them may vary, hence the driving professional skill may need to be also broad.

(ii) Talents recruitment: For last years' fast-moving pace in investments preferences, people are confronted with constant needs in assets switching and rebalancing. There are currencies volatility, choices of geography and destinations, listed equities vs private, sectors choices of Technologies or Medtec and Biochems, Digital Assets and Traditionals, etc.

What comes down to, would be the need of the right Asset Protection structures, and flexible Asset classes switching and rebalancing.

In 952.HK, we have long seen it coming and talents recruitments were made when we see our financial strength has somewhat stabilized.

We are pleased to report that we are starting to see results produced by this strategy of customers' driven Talent Recruitment.

For this year, allow us to go light into the quantitative analysis of each business units. Rather to highlight the attractive colours that have started to show at beginning of this 2023, where both of our core business after the reorganisation has demonstrated results, including the very visible increase of asset under management in the first quarter of 2023 and our recoveries are making headways to strengthening our financial standing.

We shall keep our shareholders informed at our next report.

Kenneth LAM Kin Hing
Chief Executive Officer

Management Discussion and Analysis

Macro Environment

The geopolitical tensions between Russia and Ukraine in 2022 spiked energy prices pushing inflation rates in Europe and the United States to multi-decade highs. This prompted the central bank of the United States to raise rates seven times in 2022, including four times in super-sized 0.75 percentage point increments in an effort to bring down inflation. That created the most rapid tightening of monetary policy in decades and triggered a downturn in global financial markets. Many major stock markets posted significant negative return, with the S&P 500 and Dow Jones Industrial decreased by about 19.4% and 8.8% respectively.

In Mainland China, the economy was weighed down by stringent pandemic controls and regulatory tightening on the real estate, internet, and financial sectors. Mainland authorities introduced a number of targeted policies to address highly specific challenges throughout 2022. The Mainland China economy grew by just 3.0% in 2022 as opposed to the targeted 5.5%.

Hong Kong Market Review

The Hong Kong stock market was under pressure since the beginning of 2022 as sentiment was hurt by combined effect of geopolitical tensions in Ukraine, aggressive rate hike by US driven by elevated inflation, widening COVID outbreak and pandemic control as well as property market weakness in mainland China. The market recouped some of the losses since the lowest point of Hang Seng Index of 14,687 points in October 2022 to recent high of Hang Seng Index of 22,689 points in January 2023. In 2022, the Hang Seng Index and the Hang Seng China Enterprises Index were down 15.5% and 18.6% respectively. The average daily turnover in Hong Kong securities market amounted to HK$124.9 billion in 2022, decreased by 25.1% year-on-year. Hong Kong's IPO market also suffered, recording a total of 90 new issuers as compared to 98 in 2021. Total funds raised by these IPOs stood at HK$104.6 billion representing a decrease of 68.4% compared to 2021. The market capitalisation of the securities market reached HK$35,667 billion at the end of 2022, down 15.8% year-on-year.

Results and Overview

For the year ended 31 December 2022, the Group recorded net loss of approximately HK$1,584 million (2021: HK$2,261 million). Such loss mainly arises from ECL on certain loans and investment losses. The ECL was about HK$0.9 billion (2021: HK$2.6 billion) and being shown as an expense item in consolidated statement of profit and loss.

Our fair value loss on investment in financial assets and margin loans are shown as a negative figure in consolidated statement of profit and loss. Besides, when loans passed maturity without due repayment and renewal, we will stop recording the interest income. There was a loss in investments in financial assets of HK$325 million (2021: HK$78 million gain) due to the price drop of certain financial investment assets which falls on the backdrop of the declining market in 2022. There was also a loss on margin loans of HK$254 million (2021: HK$44 million) due to price drop of our margin clients collateral (where the collateral market value falls below the outstanding margin loan, counted on client-by-client basis). The above factors contributed to the huge difference of the total revenue across the two years. The Group does not recommend the payment of any final dividend for 2022 (2021: Nil).

Business Review

If we exclude investment and other business revenue and interest income other than margin loans, the adjusted operating revenue in 2022 is HK$247 million, which has dropped roughly 29% from HK$346 million in 2021. The drop was contributed to the decrease in revenue of the four businesses as described below.

Financial Review

As the financial performance from investments and other loans business are subject to high volatility, we have presented the following analysis of revenue of our licensed businesses to better understand our core operating businesses:

Revenue	2022 HK$ million	2022 Proportion	2021 HK$ million	2021 Proportion	Change
Corporate finance business	**19**	**7%**	26	8%	(27%)
Asset management business	**12**	**5%**	35	10%	(66%)
Brokerage business	**93**	**38%**	139	40%	(33%)
Margin loan interest income business	**123**	**50%**	146	42%	(16%)
Total adjusted operating revenue	**247**	**100%**	346	100%	(29%)

Total revenue from the above four businesses dropped by 29% compared to 2021. The proportion of revenue from corporate finance business, asset management business and brokerage business decreased from 8%, 10% and 40% in 2021 to 7%, 5% and 38% in 2022 respectively. The proportion of revenue from margin loan interest income business increased from 42% in 2021 to 50% in 2022.

Corporate Finance Business

The Group's corporate finance business primarily comprises sponsorship for listing, financial advisory, financing consultation service, and equity capital market. Revenue from corporate finance business decreased by approximately 27% from HK$26 million in 2021 to HK$19 million in 2022. The drop was mainly due to the drop in sponsorship fee income and advisory service income as compared to 2021.

Asset Management Business

In 2022, total revenue from asset management business was about HK$12 million, representing a decrease of 66% from HK$35 million in 2021. Apart from a reduction of asset under management, the drop of performance fee in 2022 caused such reduction of revenue across two years.

Brokerage Business

In 2022, total income from brokerage business was about HK$93 million, a decrease of 33% from HK$139 million in 2021. The drop was mainly due to the decrease in commission income from dealing in Hong Kong securities decreased by 50% from HK$62 million in 2021 to HK$31 million in 2022, which had been affected by the overall securities market performance and negative influence on business arising from the financial difficulties of our then controlling shareholder.

Margin Loan Interest Income Business

The interest income from loans to margin clients has dropped by 16% from HK$146 million in 2021 to HK$123 million in 2022 mainly due to a drop in average outstanding margin loan to clients.

Expenses

In 2022, direct costs were about HK$104 million, representing a 27% decrease from HK$142 million in 2021. The decrease was mainly due to the decrease in commission expense of our brokerage business as a result of reduction in gross commission. In 2022, staff costs recorded HK$166 million, representing a 11% decrease from HK$186 million in 2021 as a result of reduced discretionary bonuses and proactive cost-saving schemes.

Expected Credit Loss ("ECL") net charges on amortised loans and bonds has decreased about 64% from HK$2,583 million in 2021 to HK$917 million in 2022. Most of the impairment loss in 2021 came from loans to former connected parties. In 2021, we had adopted a higher ECL provision rate on them than that applied to 2020. The increase in ECL provision rate on the former connected parties loans and bonds in 2022 was less significant than that in 2021, and therefore ECL charges in 2022 has decreased significantly as compared to 2021. The ECL provision rates for them in 2021 were ranged 69%–73%, while in 2022, they ranged 75%–85%.

Finance costs in 2022 was HK$50 million, representing a 19% drop from HK$62 million in 2021 as a result of substantial repayment of bank borrowings and active treasury operations to reduce cost.

Impairment Loss

(A) Details of other loans, unlisted debt securities and advances to customers for corporate actions with material impairment

In 2022, the Group recognised net charge of ECL provisions of approximately HK$917 million. The Company listed out the loans with material asset impairment, which with reference to over 1% of total asset value of HK$4,678 million of the Group as at 31 December 2022 (i.e. over HK$47 million). The Company consider that such materiality level is appropriate for this purpose. As such, total ECL charges of HK$751 million (82%), the HK$578 million for other loans with material ECL charges, HK$71 million to unlisted debt securities, HK$102 million to advances to customers for corporate actions and out of total ECL charges of HK$917 million was explained below.

(a) Details of other loans with ECL charged of HK$578 million in 2022

There was on ECL charge of HK$177 million to former connected parties and HK$401 million to independent third parties, totalling HK$578 million in 2022.

(1) Unsecured and unguaranteed other loans to former connected parties

The borrowers below are the subsidiaries of Tohigh Holdings Co., Ltd.# (通海控股有限公司), Oceanwide Holdings Co., Ltd.# (泛海控股股份有限公司), and China Oceanwide Holdings Limited which are former connected parties of the Company.

''#'' denotes an English translation of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

	Identities of borrowers	Principal amount HK$ million	Net amount as at 31 December 2022 HK$ million	Impairment loss for the year 2022 HK$ million	Interest rate	Loans granted date	Tenure	Ultimate beneficial owners	Latest status of repayment
1	China Oceanwide International Investment Company Limited and Minyun Limited	1,166	319	39	7.88%–12%	5 Dec 2019– 1 Jan 2022	Within 2 years	Mr. LU	Overdue
2	Oceanwide Holdings International Development III Co., Ltd	691	155	55	11%–12%	1 Jan 2021– 1 Jul 2021	Within 1 year	Mr. LU	Overdue
3	China Oceanwide Holdings Limited	480	83	83	12%	22 Dec 2020– 1 Apr 2021	Within 1 year	Mr. LU	Overdue
		2,337	557	177					

No additional loan was granted to the above former connected parties and we received repayment of interest from China Oceanwide International Investment Company Limited amounted to HK$8 million in 2022.

The Group had provided loans to former connected parties in accordance with the terms of the Framework Agreements. The Framework Agreements and the relevant annual caps of the continuing connected transactions were approved by the then independent Shareholders at the special general meetings of the Company held on 20 November 2017, 11 October 2019 and 26 February 2021. The provision of loans to former connected parties falls within the limit of the respective maximum daily outstanding balances of financial assistance. The Board has considered, among other things, the following factors to assess the recoverability of the Group's loans from former connected parties before extension of existing loan and granting a new loans to former connected parties:

— due diligence on the financials of former connected parties, such as the net asset value and gearing ratio;

— the credit and repayment history of the former connected parties; and

— any litigation or bankruptcy record of the former connected parties.

(2) Unsecured loans to independent third parties

Identities of borrowers	Principal amount HK$ million	Net amount as at 31 December 2022 HK$ million	Impairment loss for the year 2022 HK$ million	Interest rate	Loans granted date	Tenure	Details of personal guarantee	Their ultimate beneficial owners	Latest status of repayment
Corporate Client 1	308	91	175	8%–9.75%	24 Aug 2021– 1 Apr 2022	Within 1 year	Principal of HK$234 million was guaranteed by Mr. HAN Lei (note 1)	Mr. HAN Lei	Principal of HK$74 million and interest receivable of HK$17 million were overdue
Corporate Client 2	275	80	157	8.75%–9.75%	20 Dec 2021– 1 Apr 2022	Within 1 year	Principal of HK$250 million was guarantee by Mr. Wong Pui Hoi (note 2)	Mr. Wong Pui Hoi	Principal of HK$65 million and interest receivable of HK$6 million were overdue
Corporate Client 3	105	31	69	9%–10%	19 Oct 2021– 10 Jan 2022	Within 1 year	N/A	Mr. MO Li Jun (note 3)	Principal of HK$45 million and interest receivable of HK$2 million were overdue
	688	202	401						

Note 1: The ultimate beneficial owner and the personal guarantor of Corporate Client 1 were set out in the page 22 of the Company's respective circular dated 27 May 2022.

Note 2: The ultimate beneficial owner and the personal guarantor of Corporate Client 2 were set out in the page 19 of the Company's respective circular dated 27 May 2022.

Note 3: The ultimate beneficial owner of Corporate Client 3 was set out in the page 4 of the Company's respective announcement dated 10 January 2022.

No additional loan was granted to Corporate Client 1 and 2 while additional loan of HK$60 million was granted to Corporate Client 3 in early 2022. We received repayments of interest from Corporate Client 1 and 2 amounted to HK$13 million and HK$11 million respectively and repayment of principal from Corporate client 3 amounted to HK$15 million in 2022.

(b) Details of the unlisted debt securities with ECL charged of HK$71 million in 2022

Identity of borrower	Principal amount		Net amount as at 31 December 2022	Impairment loss for the year 2022	Coupon rate	Date of subscription	Tenure	Ultimate beneficial owners	Latest status of repayment as at 31 December 2022
	US$ million	HK$ million	HK$ million	HK$ million					
Oceanwide Holdings International Development III Co., Ltd	103	803	184	71	11.80%	2 Jun 2021– 26 Apr 2022	Within 1 year	Mr. LU	Principal of HK$94 million and interest receivable of HK$98 million were overdue

No additional debt was granted to the above former connected party and we received repayment of interest amounted to HK$42 million in 2022.

(c) Details of advances to customers for corporate actions with ECL charged of HK$102 million

Identity of borrower	Principal amount	Net amount as at 31 December 2022	Impairment loss for the year 2022	Interest rate	Loans granted date	Tenure	Details of personal guarantee	Details of secured assets	Ultimate beneficial owners	Latest status of repayment
	HK$million	HK$million	HK$million							
Corporate Client 4	133	48	102	12%	8 March 2019	Within 2 year	by Mr. Zhang Zhixiang (note 1)	Secured by listed shares and other asset	Independent third party	Overdue

Note 1: The personal guarantor of Corporate Client 4 was set out in the page 16 of the Company's respective circular dated 27 May 2022.

No additional advance was granted to the Corporate Client 4 and we received repayment of principal and interest amounted to HK$40 million in 2022.

(B) Reasons for the impairment

The Group adopted the requirements in respect of ECL assessment set forth in HKFRS 9 issued by the HKICPA in determining the impairment loss allowance for its loan receivables.

The Group has taken into account the following factors on the impairment assessment for the outstanding loans and unlisted debt securities due from the former connected parties and independent third parties in accordance with the HKFRS 9:

(i) the probability of default and the likelihood that the borrowers may fail to pay back the loans. The Group will perform due diligence on the financial statements and consider the macro-environment and the latest announcements of the borrowers. The repayment history of the borrowers will also be taken into account;

(ii) the loss given default and the expected cash shortfall between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The Group will consider the value of the collaterals pledged for the loans, if any; and

(iii) forward-looking market data such as gross domestic product will also impact to the recoverability of the loans.

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.

(C) *Key assumptions and basis in determining the amount of the impairment*

For the purpose of impairment assessment, other loans, unlisted debt securities and advances to customers for corporate actions of the Group are classified as stage 1, 2 and 3. According to the prevailing accounting standard, stage 1 are loans with no significant increase in credit risk of the financial instrument since their initial recognition. Stage 2 are loans with increase in credit risk of the financial instrument since their initial recognition. Stage 3 loans has significant increase in credit risk of the financial instrument since initial recognition and considered as credit-impaired. Impairment was assessed for each of the loans and the ECL model for internal impairment assessment has taken into account the following: 1) expected life and contractual terms of a financial instrument; 2) market probability of default; 3) market loss given default or discounted recovery rate; and 4) forward-looking market data.

Details of accumulative provision rates for the above other loans, unlisted debt securities and advances to customers for corporate actions are summarized below:

	Identities of borrowers	Gross amount HK$ million	Accumulated provision as at 31 December 2022 HK$ million	Net amount as at 31 December 2022 HK$ million	Accumulative ECL %	Stage
1	China Oceanwide International Investment Company Limited and Minyun Limited	1,292	(973)	319	75%	3
2	Oceanwide Holdings International Development III Co., Ltd	1,691	(1,352)	339	80%	3
3	China Oceanwide Holdings Limited	539	(456)	83	85%	3
4	Corporate Client 1	331	(240)	91	73%	3
5	Corporate Client 2	296	(216)	80	73%	3
6	Corporate Client 3	113	(82)	31	73%	3
7	Corporate Client 4	187	(139)	48	74%	3
		4,449	(3,458)	991		

All the above loans, unlisted debt securities and advances to customers for corporate actions are classified as stage 3 in ECL model

In regarding loan to Corporate Client 1,2, and 3, the loans were classified as stage 3 as part of the loans were overdue and all the due interests were not timely and fully settled as at year end 31 December 2022 and up to the date of annual result announcement. The loans were considered as default.

Regarding the loan to Corporate Client 4, the loan was previously assigned to an independent party by a deed of assignment. However, during the year the assignee had paid 20% of the total consideration only on or before the long stop date of the assignment. Pursuant to the arrangement under the deed of assignment, we shall only assign 20% the present and future rights of the loan to the assignee. The outstanding loan has been overdue since March 2021 according to the original contract and is considered as default.

In regarding loans to former connected parties, namely, China Oceanwide International Investment Company Limited, Minyun Limited, Oceanwide Holdings International Development III Co., Ltd and China Oceanwide Holdings Limited, with reference to the announcements of Oceanwide Holdings Co., Ltd published on the website of the Shenzhen Stock Exchange, they experienced a series of credit default events such as debt defaults and lawsuit since the year of 2021, which indicated concerns about their liquidity and ability to refinance. They were classified as stage 3 in year 2021 and 2022.

The Company announced on 24 August 2021 that the settlement arrangements have been entered with Oceanwide Holdings Co., Ltd and China Oceanwide Holdings Limited which constituted a very substantial acquisition and connected transaction. The long stop date of the settlement arrangements has been extended to 30 June 2023. For the purpose of assessing the ECL of those loans and unlisted debt securities under the settlement arrangements, the Company did not take the settlement arrangements into account because it has not yet been completed then.

The settlement arrangements enable the Company to fully recover the other loans and unlisted debts securities due from Oceanwide Holdings International Development III Co., Ltd and other loans due from China Oceanwide Holdings Limited with shares of a limited liability company incorporated in the PRC. The financial position of the Company will be improved after the settlement arrangements, as such recovery will reduce loan receivables from former connected parties and eliminate the credit exposure of the debts.

Upon the completion of the settlement arrangements, it is expected that a gain will be recognised for settlement arrangements which amounts to the accumulative provision made on the other loans and unlisted debts securities. The amount of the other loans and unlisted debts securities will become the investment costs for the shares of the PRC company under the acquisition.

For the year of 2022, independent impairment assessment was performed for stage 3 loans by an independent valuer, Masterpiece Valuation Advisory Limited which is a professional business consulting company established in Hong Kong with a branch office in the Greater China area. The consulting teams are formed by experienced professionals from accounting, finance and real estate with well-recognized qualifications including but not limited to HKICPA, Chartered Financial Analyst, The Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute), member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors, Financial Risk Manager and Certified Public Valuer.

All the above loans to former connected parties and Corporate Clients 1 to 4 were treated as default loans and 100% was used as the probability of default in the ECL model. Hence, in applying the accounting standard, the below formula was used in assessing their respective ECL provisions:

ECL = EAD × PD × (1 – PV of (Recovery Rate × FLF))

1. Exposure at Default (the "EAD") is the principal and interest outstanding that are at risk of default.

2. Probability of Default (the "PD") of 100% is used as the counterparties defaulted or very likely to default.

3. Recovery Rate sourced from "Average debt recovery rates measured by ultimate recoveries" published by Moody's, a reputable credit agency.

4. Forward-looking factor (the "FLF") is served as adjustment to recovery rate basing on the recent and forecasted data related to assets of the borrowers. GDP growth data were selected as the appropriate macro factor ("Z") according to the assets location of the counterparties. And for counterparties located in PRC, broad measure of money supply (M2) was also included to make relevant forward-looking adjustments to Recovery rate.

5. Present Value ("PV") of (Recovery Rate × FLF) = (Recovery rate × FLF)/(1 + effective interest rate)^ Time to Recover. For loans from former connected parties, time to recover is prolonged to be 5 years from the reporting date, after considering the reasonable time for potential assets swap and unfreezing assets. For loans from Corporate Clients 1 to 4, time to recover is expected to be 3 years from the reporting date, based on the management's expected time on repayment pattern.

	EAD	PD	Recovery Rate	Interest Rate	Time to Recover	FLF	Recovery Rate × FLF	PV of (Recovery Rate × FLF)	ECL	Accumulated ECL%
	A	B	C	D	E	F	G=C × F	$H=G/(1+D)^E$	I=A × B × (1–H)	J=I/A
	HK$ million								HK$ million	
China Oceanwide International Investment Company Limited and Minyun Limited	1,292	100%	39.93%	7.88%–12%	5 years	88.00%	35.14%	19.94%–26.04%	973	73.96%–80.06%
Oceanwide Holdings International Development III Co., Ltd	1,691	100%	39.93%	11%–12%	5 years	88.00%	35.14%	19.94%–20.85%	1,352	79.15%–80.06%
China Oceanwide Holdings Limited	539	100%	39.93%	12%	5 years	88.00%	35.14%	15.48%	456	84.52%
Corporate Client 1	331	100%	39.93%	8%–9.75%	3 years	89.67%	35.81%	27.09%–28.42%	240	71.58%–72.91%
Corporate Client 2	296	100%	39.93%	8.75%–9.75%	3 years	89.67%	35.81%	27.09%–27.84%	216	72.16%–72.91%
Corporate Client 3	113	100%	39.93%	9%–10%	3 years	89.67%	35.81%	26.90%–27.65%	82	72.35%–73.10%
Corporate Client 4	187	100%	39.93%	12%	3 years	89.67%	35.81%	25.49%	139	74.51%

For stage 1, 2 and 3 loans, there were no changes in valuation method and assumptions compared to previous year.

The Group's debtors were affected by the overall downturn of the economy and real estate industry and the recoverability of the corresponding loan receivables were undermined. The credit risk and default risks of loans would inevitably increase.

Key parameters input including probability of default and expected recovery rate from loss given default rate are adjusted to reflect the current and future conditions and attribute to the increase of the ECL as at 31 December 2022 by comparing previous year.

- Probability of default:

  The adopted probability of default for both years were derived from "Average cumulative issuer-weighted global default rates by Alphanumeric Rating", Corporate Default and Recovery Rates, published by Moody's. For defaulted counterparties, 100% was adopted as at 31 December 2022.

  Certain counterparties were treated as defaulted for the year 2022 as the principals and interests were overdue.

- Expected recovery rate from loss given default rate:

  The expected recovery rate for both years were derived from "Average debt recovery rates measured by ultimate recoveries" published by Moody's and further adjusted with the security status of the Loans (secured/unsecured) and the future assets recoverability of the counterparties, if any.

  Given the deteriorating economy and the property market is vulnerable to the changes in general economic fundamental factors and asset prices would fluctuate and become more volatile as compared to previous periods, the expected recovery decreased compared to previous period.

(D) Recovery Actions

Loans to former connected parties

For loans to former connected parties, the Group sent payment reminders to former connected parties before the maturity date, and further payment reminders were sent to former connected parties every 2–3 months afterwards when they failed to repay on maturity date. The risk management department monitors the risk level of the loan portfolio regularly and provide updates to executive Directors on a monthly basis. The Company learnt the difficulties of former connected parties' liquidity and discuss with former connected parties on the terms for loan renewal and the extension on interest repayment.

For loans to Oceanwide Holdings International Development III Co., Ltd and China Oceanwide Holdings Limited, as mentioned above, there was a plan to recover the debts by way of settlement arrangements announced on 24 August 2021. For loans to China Oceanwide International Investment Company Limited and Minyun Limited, other than sending payment reminders, the Company negotiated with the borrowers with a view to reduce the credit risk through various means including credit enhancement through pledging of assets and/or reduction of amount of loans by way of cash repayment and/or asset transfer. No definitive agreement has eventually been entered. The Company is still in regular and frequent discussions with former connected parties on how to recover those loans.

Corporate Client 1, Corporate Client 2 and Corporate Client 3

The Group sent payment reminder to Corporate Client 1, 2 and 3 before maturity date and further payment reminders were sent following the one month overdue.

Corporate Client 4

After the long stop date of the assignment, the Company negotiated with the borrower for settlement and the discussion is still ongoing.

For all loans (including to loans to former connected parties), the risk management department monitors the risk level of the loan portfolio regularly and provide updates to executive Directors on a monthly basis. Senior management has frequently discussed, at least on monthly basis, with the Executive Committee on the recovery actions.

Money Lending

(i) Company's money lending business and credit risk assessment policy

The Company's money lending business offers both secured and unsecured loans to borrowers comprising individuals and corporations. The money lending business generates revenue and profit by way of providing loans to earn interest income.

The Company has adopted a credit risk policy to manage its money lending business which includes compliance with all applicable laws and regulations, credit assessment on potential borrower and his/its assets, the credibility of the potential borrower, the necessity in obtaining collaterals, assessment of the use of proceeds and the source of repayment.

The scope of money lending services provided by the money lending business generally includes personal loans, business loans and mezzanine loans. The Company try to diversify the loan portfolio by providing to different borrowers to lower the concentration risk. We do not have a pre-defined risk appetite and set of criteria for loan acceptance. The credit risk assessment was made in case-by-case basis by reviewing the financials of borrowers, considering the borrower's repayment history and evaluating whether the borrowers are in bankruptcy, receivership or liquidation. Within a loan category, the interest rates, the duration of the loan and repayment terms of the loan vary. The determination of the loan terms reflects the risk level of the provision of loan and ensure the risk is at a controllable level.

Provision of loans is one of the principal businesses of the Group. Management's discussion on the movements in material loans for renewal of existing loan or newly granting of the loans have been disclosed in the announcement or circular. For loans to former connected parties, they have to fall within the Framework Agreements and the relevant annual caps of the continuing connected transactions were approved by the then independent Shareholders at the special general meetings of the Company held on 20 November 2017, 11 October 2019 and 26 February 2021. For material loans to independent third parties, the summary of relevant Company's announcement and circular made in the year of 2022 were set out below:

Identities of borrowers	Loan amounts disclosed in announcement or circular HK$ million	Respective announcement or circular
Sunny Chance Investment Limited	181	Pages 2–5 of announcement dated on 12 May 2022
Oceanic Vanguard Investments Limited	275	Pages 2–6 of announcement dated on 12 May 2022
Grand Profit International Investment Limited	234	Pages 2–5 of announcement dated on 12 May 2022

(ii) Major terms of loans granted (including details of the collaterals), size and diversity of clients and concentration of loans on major clients

To diversify the clients and lower the concentration of loans portfolio, our borrowers included individuals, listed companies and companies from different industries such as securities investment, real estate and consultation service. As at 31 December 2022, the Group has 21 borrowers, of which 17 unlisted corporate borrowers, 1 listed corporate borrower and 3 individual borrowers.

As at 31 December 2022, the Group has 44 loans with principal amounts ranged from HK$2 million to HK$678 million with interest rate ranged from 7% to 12%. The loans portfolio fell with the following bands:

Loan size of Principal	Number of loans fall into the band
Above HK$500 million–HK$1,000 million	1
Above HK$100 million–HK$500 million	13
Above HK$50 million–HK$100 million	6
Above HK$10 million–HK$50 million	16
Above HK$5 million–HK$10 million	3
HK$0–HK$5 million	5
	44

Out of the 44 loans, 3 loans were secured by shares and assets of private companies with personal guarantee (6% of the total principal amount of the Group's loan portfolio), 2 were secured by assets of private companies and unguaranteed (1% of the total principal amount of the Group's loan portfolio), 11 unsecured loans with personal guarantee (47% of the total principal amount of the Group's loan portfolio) and the remaining 28 loans are unsecured and unguaranteed (46% of the total principal amount of the Group's loan portfolio).

As at 31 December 2022, the top five borrowers constituted 73% of the total principal amount of the Group's loan portfolio.

(iii) Reasons for loan impairments (and write-offs)

Management's discussion and the underlying reasons for the movements in loan impairments are that the ECL recognized primarily represented the credit risk involved in collectability of certain loans determined under the Company's loan impairment policy, with reference to factors including the credit history, financial conditions of the borrowers and forward-looking information. In accordance with the Group's loan impairment policy, the Group will apply the prevailing accounting standard to make such impairment. Therefore, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition.

As at 31 December 2022, the gross amounts of other loans have increased by HK$249 million from HK$4,038 million at 2021 year ended to HK$4,287 million. The net amount after ECL provisions of other loan has changed from HK$1,598 million at 2021 year ended to HK$1,109 million at 2022 year end.

(iv) Internal controls measures

Credit Approval

The Company's money lending business follows a stringent procedure. Due diligence and credit assessments are performed by the respective lending department to assess the credit quality of the potential borrowers. These assessments include the identity, creditability, and financial background of the borrowers, and the value and characteristics of the collaterals to be pledged.

A loan proposal is then prepared by the designated loan officer and submitted to the Risk Management Department (RMD) for their comment. This comment is attached to the final submission of the proposal and presented to the Business Assessment Committee (BAC) either through a physical meeting or in an email for their approval.

The BAC may comment, add pre-conditions, or improve the terms and conditions before giving their final approval. A Transaction Approval Form (TAF) is signed off by the Department Head of the respective lending department, the approval members, and the Chief Operating and Risk Officer to complete the approval process and for company record.

Subject to the size of the loan, different approval authority is applied, where higher authority is required for the approval of larger loans. Till the end of 2022, the Company has long established this hierarchy of Approval Authority, the details of which are stated below:

Loan size (HK$)	Approval authority
Above HK$1,000 million	Board of Directors
Above HK$500 million–HK$1,000 million	Executive Committee (ExCom.)
Above HK$100 million–HK$500 million	3 members in ExCom. (must include Chairman of ExCom.)
Above HK$50 million–HK$100 million	Business Assessment Committee (BAC)
Above HK$10 million–HK$50 million	3 members of BAC (must include Chief Executive Officer)
Above HK$5 million–HK$10 million	3 members of BAC (must include Chief Financial Officer or Chief Operating and Risk Officer)
Above HK$0 million–HK$5 million	2 members of BAC (must include Chief Financial Officer or Chief Operating and Risk Officer)

Note:

1) Business Assessment Committee comprises of Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Operating and Risk Officer and Deputy Risk Officer.

Continuous loan monitoring

The Company has the designated loan officer to closely monitor its loan portfolio, include regular communication with the borrowers of their financial position, through which the Company will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for recovery of a loan at the earliest time.

Also, risk management department of the Company will review the risk level of each of the loans on a daily basis and submit written report to the Executive Committee at least on a monthly basis on their recommendation. From time to time, risk management department will alert our senior management and/or the Executive Committee on certain events (e.g. failed repayment) and advise the Company to take appropriate actions. Our accounts department and treasury department will also keep track of the repayment schedule constantly and make alerts to senior management in case of failed or late repayment.

Recoverability and Collection

At each month end, the designated loan officer will check if there is overdue balances or late payment and risk management department will perform an independent review on the loans portfolio and closely monitor the status and report to the senior management.

Usually there would be internal discussions on a case-by-case basis on what recovery actions to be taken so that the Company could recover the most in a timely fashion. Means like phones calls, seizure of collaterals, statutory demand letter and further legal actions would be discussed. Reminder letter and statutory demand letter will be issued to the borrower when consider appropriately if there is overdue repayment. Where appropriate, legal action will be initiated against the borrower for the recovery of the amount due and taking possession of the collateral pledged. Seizure of collaterals and realization of underlying collaterals would also be taken if necessary. Where appropriate, the Company will also petition to the court for winding-up of the borrower and/or guarantor. Again, the recovery and collection decisions and processes are included in the monthly risk management report to the Executive Committee.

Other Information

Capital Structure, Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well as through the utilization of banking facilities and short-term loans and notes from non-bank entities. The Group's cash level at the end of 2022 was around HK$195 million (2021: HK$405 million).

At the end of 2022, the Group's total borrowings amounted to HK$906 million, decreased by 40% from HK$1,503 million at the end of 2021. As at end of February 2023, the total borrowings has further reduced to HK$755 million. Borrowings mainly consisted of two components.

— The first component was utilized bank facilities of around HK$543 million (2021: HK$1,187 million), of which the Group had available aggregate banking facilities of around HK$837 million (2021: HK$1,888 million).

— The second component was private notes issued by our listed company and loans from other parties (mainly non-bank financial institutions), which amounted to HK$363 million at the end of 2022 (2021: HK$316 million).

At the end of 2022, the net assets of the Group was HK$2,012 million (2021: HK$3,597 million) the Group's gearing ratio (leverage) was 45% (2021: 42%), being calculated as total borrowings over net assets. The increase in gearing ratio was due to the reduction in net assets as a result of the loss in 2022.

The management has applied prudent risk and credit management on the borrowing. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of bank borrowings in the securities margin lending business.

Material acquisitions, disposals and significant investments

For 2022, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies other than that has been announced. As at the end of 2022, the Group did not hold any significant investments.

Charges on the Group's assets

At the end of 2022, assets of HK$441 million (2021: HK$985 million) were charged to banks and other lender for facilities.

Employees and remuneration policies

On 31 December 2022, the Group had 190 full time employees (2021: 222) in Hong Kong and 23 full time employees (2021: 33) in Mainland China. In addition, the Group has 82 self-employed sales representatives (2021: 85). Competitive total remuneration packages are offered to employees by reference to industry remuneration research reports, prevailing market practices and standards and individual merit. Salaries are reviewed annually, and discretionary bonuses are paid with reference to individual performance appraisals, prevailing market conditions and the Group's financial performance. Other benefits offered by the Group include a mandatory provident fund scheme, medical and health insurance.

Risk management

The Group's business is closely related to the economy and market fluctuations of Hong Kong and China, and indirectly affected by financial markets across the globe. To cope with unpredictable market fluctuations and minimize risks, the Group takes preventive measures and established a three-tier risk management system.

At the front line, there are the relevant business departments who conduct the initial risk assessments. The Risk Management Department and Legal & Compliance Department then reviews and provide comments on identified risks, if any. The Risk Management Department of the Group is responsible for risk identification and analysis, the setting and monitoring of risk limits and parameters, and produce timely risk reports to the senior management. The Legal & Compliance Department also comment and monitor the legal risks involved as required. The Internal Audit Department conduct thorough checks periodically to ensure that any procedural and potential risks can be eradicated, concluding the final stem of our Group's comprehensive risk control.

Credit risk

Credit risk is the potential risk in respect of loss arising from incompetence of a borrower, counterparty or issuer of financial instruments to meet its obligation, or potential deterioration of credit ratings. The Group has an established Credit Approval Policy and Procedure for pre-lending approval and a post-lending monitoring system in place for all business applications and proposals with potential credit risks. The credit risks of the Group mainly arise from five business areas: corporate finance business, asset management business, brokerage business, interest income business and propriety investment business. Advance IT systems are also utilized by the Group to conduct daily monitoring on credit and concentration risk limits.

Market risk

Market risk refers to potential losses due to market price movement of investment positions held, which includes interest rates risk, equity prices risk and foreign exchange rates risk. Risk Management Department is responsible for setting up market risk limits and investment guidelines for the Group's various business functions and their investment activities. Investments with potential market risks are, where appropriate, assessed and approved by Risk Management Department. Monitoring and assessments of market risks positions are conducted timely, and significant risks are reported to senior management to ensure the market risks of the Group are controlled within an acceptable level. The Group continues to modify the market risk models through periodic back-testing and stress scenarios tests.

Liquidity risk

Liquidity risk refers to the risk that the Group might face in obtaining sufficient capital and funds in a timely manner to meet its payment obligations and capital requirements for normal business activities. Treasury Department is responsible for the sourcing, management and allocation of funds for the Group. Finance Department has a monitoring system to ensure compliance to relevant rules, including Financial Resources Rules ("FRR") and financial covenants of lending banks. In addition, the Group has maintained good relationships with banks to secure stable channels for short-term financing such as borrowings and repurchases. The Group may also raise short-term working capital through public and private offerings of corporate bonds. The Group has also established a liquidity system to ensure it has sufficient liquid assets to meet any emergency liquidity needs.

Operational risk

Operational risk is the risk of financial loss arises mainly from negligence or omission of internal procedural management, information system failures or personnel misconduct of staffs. The Group actively schedules briefing sessions to improve risk awareness amongst employees, and instructs all departments to establish internal procedural and control guidelines. There is an Operational Risk Events Reporting procedure to ensure that all risk events are timely reported to the Risk Management, Legal & Compliance and IT Department for immediate implementation of remedial action. The Group has a Business Continuity Policy and has a special committee to deal with whatever emergency situations may arise which could pose operational risks to us.

Regulatory compliance risk

As a financial group operating regulated businesses, we endeavor to meet the stringent and evolving regulatory requirements, including but not limited to those related to investor interest protection and market integrity and stability maintenance. Our Legal & Compliance team works continuously to monitor, review, and reduce the regulatory risks of the Group.

Prospects

The outlook for 2023 is mixed. Hong Kong has relaxed all COVID restriction measures and the Hong Kong economy is expected to stage a visible rebound in 2023. However, the global economic outlook is still challenging following the recent failures of certain banks, the interest rate trend and battle against inflation.

Nonetheless, the negative influence on our business resulting from the financial difficulties is now removed and we can now strive to strengthen our recurring brokerage, corporate finance and asset management businesses, and improving our system efficiency and service quality. We will also closely monitor our loan portfolio and focus on loan recovery. As much important as it is to deliver our services in good quality, that is crucial too to deliver a decent return to the Company and our shareholders as a whole.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Group is pleased to publish its seventh Environment, Social and Governance ("ESG") Report ("Report"). The Report outlines the Group's sustainability strategy, measures and key performance, which aims to enhance communication with its stakeholders and present its pursuit for sustainable development. This Report covers the reporting period from 1 January 2022 to 31 December 2022 (the "Year").

Reporting Scope and Boundary

The Report focuses on the Group's management approach and performance in relation to 5 core business operations, including corporate finance, asset management, brokerage, interest income, investments and others in Hong Kong. The reporting scope includes the Group's office operations in Hong Kong, which represents the majority of its business operations and remains the same as last year.

Reporting Standard

This Report is prepared in compliance with the mandatory disclosure requirements and the "comply or explain" provisions as set out in Appendix 27 Environmental, Social and Governance Reporting Guide (the "Guide") of the Listing Rules by the Hong Kong Exchanges and Clearing Limited (the "HKEX"). The Group has adhered to the four reporting principles in preparing the Report, namely materiality, quantitative, balance and consistency.

Materiality	During the Year, the Group has identified material ESG topics through stakeholder engagement and materiality assessment, which reflects the importance to the Group's business and to its internal and external stakeholders. Verified by the Board, this Report has made key disclosures on the resulting material topics.
Quantitative	This Report presents quantitative ESG data, whenever feasible, including the standards, methodologies, assumptions, calculation tools used. Past performance data is also provided for valid comparison and evaluation.
Balance	With an unbiased narrative description, this Report discloses objective facts with both positive and negative indicators, presenting a comprehensive overview of the Group's ESG performance.
Consistency	For a fair and meaningful comparison of the Group's ESG performance, this Report adopts consistent methodologies and indicators as far as practical. Corresponding specification and explanation will be provided if there is any change.

Data Preparation

The Group acknowledges its responsibility to ensure the accuracy and reliability of the ESG Report. All information in this Report is sourced from the official documents and statistical data of the Group, which has been presented in a fair and transparent manner. The Board has reviewed and approved the Report on 28 March 2023.

Feedback Channel

The Group values and welcomes all feedback on this Report or its ESG performance. Please share your views with the Group through the following channel:

Email: marcomm@tonghaifinancial.com

ESG GOVERNANCE

The Group has always been pursuing prudent corporate governance, in order to fulfil its commitment to maintaining a high ethical standard and safeguarding the interest of shareholders and all stakeholders. It has integrated sustainability into its strategic development and established a ESG governance structure to coordinate its ESG management.

The Group has set up an Environmental, Social and Governance Committee ("ESG Committee") promoting effective ESG management. The Board has ultimate responsibility for the oversight of the Group's overall ESG strategy and reporting, supervising the compliance with applicable legal and regulatory requirements and the alignment of ESG practices with its needs. The ESG Committee is responsible for implementing ESG policies and measures, assessing ESG performance, proposing enhancement plans, and setting targets and goals. The Committee is chaired by the Company Secretary, which regularly reports ESG-related progress and performance to the Board. Striving to ensure the effectiveness of its ESG work, the Group will enhance its ESG governance and further embed ESG concepts into its development strategy and daily operations.

Managing ESG Risks

The Group has incorporated ESG-related risks into its risk management system to promote ESG governance and management. On an ongoing basis, the Board is accountable for overseeing the Group's risk management and internal control systems and sustaining their effectiveness. Under its risk management systems, the Group closely monitors the daily operations of all departments, and regularly review and conducts evaluation, prioritisation and management of material ESG risks.

Striving to improve its ESG governance and performance, the Group has commenced preparation work to gear toward formulating its sustainability strategy and target-setting during the Year. To assist the Group in determining its focus areas as well as reviewing the feasibility of possible performance indicators, interviews were conducted with various department heads to facilitate the internal progress. The Group will update the progress in an appropriate and open manner, so as to enhance disclosure transparency and foster action plan for future targets.

STAKEHOLDER ENGAGEMENT

Recognising the critical relationship between stakeholders and its business development, the Group strives to promote mutual understanding with different stakeholders. It has engaged in open and regular communication through a diverse range of channels, including daily operations, meetings, workshops and surveys.

Key stakeholders		Major focuses	Communication channels
Internal	Employees	• Industry and corporate trends • Employees' rights, welfare & benefit • Training and development	• Company announcements • Performance evaluation • Whistleblowing channel • Trainings and workshops • Operational meetings
External	Shareholders	• Investment returns and interests • Risk management • Information disclosure • Corporate governance	• Annual General Meeting and other special meetings • Annual Report and Interim Report • Company website • Announcements and notices
	Business partners	• Quality of partnerships • Business ethics, culture and integrity	• Business meetings, forums
	Customers	• Product quality • Customer services • Customer privacy and information security	• Customer service hotline and email • Online chat bot • Customer complaint channel
	Regulatory authorities	• Operational compliance	• Direct enquiries through calls or emails • Public consultations
	Communities	• Community development	• Sponsorships and donations • Volunteering activities

Identifying Material Issues

The Group actively collects opinions and suggestions of various stakeholders to facilitate its ESG management and reporting. The Group has engaged an independent consultant to conduct an annual materiality assessment on ESG topics with internal and external stakeholders, providing a comprehensive understanding on the materiality of each ESG issue.

4-Phase Materiality Assessment

1. Identification

- After screening and selection with reference to reporting standards, policy research, industry trends, peer benchmarking and internal review, a total of 25 ESG issues were identified.

2. Data Collection

- Internal and external stakeholders were invited to assess the materiality of each issue based on its importance to individual and the Group's business respectively.
- 67 valid responses were collected for consolidation and analysis.

3. Prioritisation

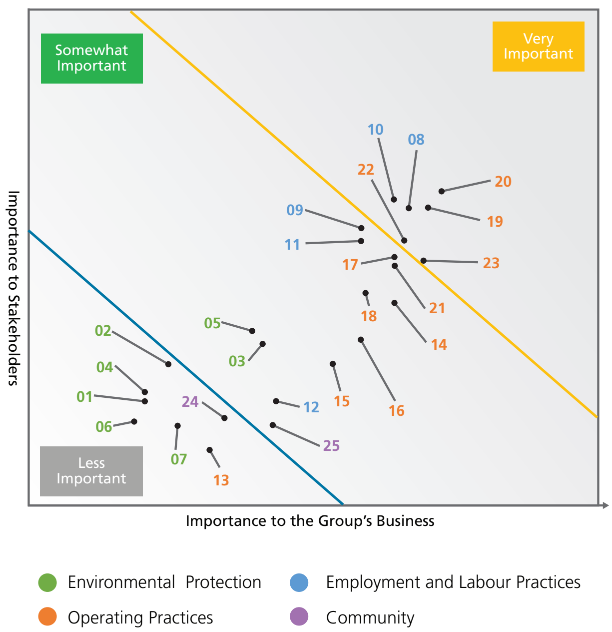
- After examining the survey result, a materiality matrix is developed.
- Based on the materiality ranking, 6 material issues were prioritised as the most important issues to address and report on.

4. Validation

- The results of the materiality assessment were submitted to the Board for review and approval.

Materiality Matrix and Material issues

This Year, the Group has reviewed and updated the list of ESG issues. 3 new issues of "Responsible investment", "Cybersecurity" and "Systemic risk management" are added to the list, resulting in a total of 25 ESG issues identified. The list covers the 4 aspects of "Environmental Protection", "Employment and Labour Practices", "Operation Practices" and "Community". The results of the materiality assessment are detailed as follows:



Material issues in descending order of materiality

20 Protecting customer privacy
19 Cybersecurity
08 Employment management system
10 Occupational health and safety
22 Anti-corruption
23 Anti-money laundering
09 Diversity, equal opportunity and eliminating discrimination
17 Fair and responsible marketing
21 Protecting intellectual property rights
11 Training and development
14 Systemic risk management
18 After sales management
16 Product quality responsibility
15 Responsible investment
05 Other resource use and efficiency
03 Energy use and efficiency
12 Child labour and forced labour
25 Supporting community development
02 Waste management
24 Understanding the needs of the community
04 Water use and efficiency
13 Supply chain management
07 Responding to climate change
01 Greenhouse gases and air pollutants
06 The environmental and natural resources

Similar to the previous reporting year, "Employment management system", "Occupational health and safety", "Anti-corruption" and "Anti-money laundering" have been assessed as the most important ESG issues. "Protecting customer privacy" and "Cybersecurity" have also emerged as material issues for highlighting disclosure in this Report.

The Group will continue to strengthen its interaction with stakeholders and diversify stakeholder communications and engagement channels in the future, in order to improve its ESG performance and sustainability strategy.

RESPONSIBLE OPERATING PRACTICES

The Group is well aware of the significance of business integrity and corporate governance in supporting its business growth and sustainable development. It is devoted to creating mutual benefits for its shareholders, customers, suppliers as well as the society as a whole.

Fulfilling Product Responsibility

Cybersecurity and Customer Privacy Protection

The Group recognises the importance of cybersecurity and customer privacy protection to its professional integrity in the financial trading industry. During the Year, no incident related to data privacy and information security occurred within the Group.

The Group has clear internal measures and guidelines to meet regulatory requirements and ensure robust cybersecurity management. For example, it has stipulated internal measures and controls related to the use of computers and electronic communication devices and mediums in its *Staff Manual*. Violation of the policy may result in disciplinary action including immediate termination of employment. On top of that, the *Tonghai Financial Acceptable Use Policy* outlines the acceptable use of computer equipment of the Group to ensure effective security to avoid risks of virus attacks, compromise of network systems and services, legal issues, etc.

During the Year, the Group has devoted effort and resources to strengthen its cybersecurity management by focusing on two main strategic directions: advancing cybersecurity technologies and enhancing cybersecurity awareness. On one hand, it has proactively updated its protection system by investing on top-of-the-range technologies. Moreover, through training, its management and employees have also worked closely with the IT Department to maintain high awareness and foster cybersecurity culture.

Major cybersecurity and information security initiatives in 2022	
Optimising the network monitoring system	• New generation of anti-virus and networking activity monitoring systems for protection against zero-day threats and ransomware • Instant detection and blockage of any unauthorised internal network devices connected to the network • 24-hour security operation centre and threat intelligence for round-the-clock detection and the fastest response possible against malicious activities • Real-time AI analysis deduce on cyber threats time to mitigation of up to 90% • Full compliance with latest regulatory requirements
Upgrading the email firewall	• Reduced the number of spammed emails by over 99% successful blocking • Increased performance of 70% successful block rate in comparison to the previous version • Protection against zero-day attacks and ransomware
Conducting regular scanning and penetration tests	• Carried out routine internal and external network and applications scanning and penetration tests to detect loopholes ahead • Adopted the standard practice of scanning in-house developed source code on a regular basis and before application deployment
Reinforcing internal policies and controls	• Conducted periodic review and updates on internal policies and guidelines, including but not limited to VPN access, work-from-home arrangement, cybersecurity guidelines, and vulnerability handling procedures • Adopted dual-factor authentication for remote access • Encrypted all sensitive and vulnerable information
Promoting awareness on cybersecurity and customer privacy protection	• Stipulated cybersecurity awareness training as part of the mandatory staff on-boarding processes • Sent out regular phishing email tests and reminders at random intervals throughout the year to raise the cautiousness • Organised customised cybersecurity trainings for virtual meetings and video-conference users with regard to the spike in virtual meetings • Provided employees with periodic training and latest update on cybersecurity and customer privacy protection

Considering the increasing technology and internet dependence under the digitalisation of financial operations, the Group will continue to allocate sufficient resources to enhance the comprehensiveness of protection and sustain high attention to cybersecurity. In near future, the Group is planning to provide more diverse training and increase the number of classroom and virtual cybersecurity trainings for staff, and targeting to attain at least 90% of training coverage next year.

Responsible Marketing Communication

Ensuring reliable and responsible marketing communications is significant to the Group's reputation, which implies business longevity and sustainable customer relationships. The Group exercises due diligence to provide accurate, unbiased and transparent information on its products and services, safeguarding the interests and rights of customers.

The Legal and Compliance Department of the Group is responsible for overseeing and reviewing all marketing materials for regulated products and services. It safeguards authenticity, accuracy and regulatory compliance of all information.

To ensure that its product and service provision aligns with customers' expectations, the Group strives to maintain effective and accountable marketing communication. If there are any customer complaints filed, relevant business units will investigate issues raised for responding and provide follow-up actions in due course.

Intellectual Property Protection

Recognising the importance of intellectual property rights, the Group devotes considerable effort to secure its intellectual properties and safeguards the confidentiality of proprietary information provided to or owned by the Group. Any actions that could endanger the vesting, maintenance or enforcement of its intellectual property rights are strictly prohibited. To prevent any infringement or misappropriation on the use of its intellectual property rights, other protection measures such as maintaining and monitoring trademarks, seeking consent on information from outsiders, and if appropriate consulting third party for professional advice and assistance, have also been adopted.

Product Quality and After Sales Management

The Group strives to promote customer service experience and satisfaction through quality assurance and after sales management. It has established the Product and Risk Committee to monitor and manage product quality and customer services, which is responsible for assessing new products before launching. Through periodic reviews, the Group studies the current and prospective market environment for continuous improvement. During the Year, the Group received 2 cases of customer complaint, which were carefully handled and reasonably addressed according to relevant procedures.

Upholding Business Ethics

With zero tolerance to any corruption, bribery, extortion, money laundering and other fraudulent activities, the Group strives to minimise the risk of bribery and money laundering. The Group has formulated the *Compliance Manual*, which sets out the compliance policies and procedures concerning business ethics. For example, the *Staff Dealing Policy* specifies the dealing requirements for all dealings in securities and derivative contracts to regulate and promote professional integrity. Disciplinary procedures are also in place to deal with any non-compliance incidents incurred. The Legal and Compliance Department is responsible for maintaining all non-compliance records of all employees, which would be reviewed during the annual performance appraisal. The Group is dedicated to sustaining a fair, accountable and transparent business operation, there were no legal cases involved in corruption and money laundering against the Group or its employees during the Year.

Anti-Corruption

To safeguard the financial system, the Group attaches great importance to professional integrity. Its *Code of Conduct* in the *Staff Manual* and *Anti-Bribery Policy* in the *Compliance Manual* outline the relevant controls and standards in prevention of bribery, fraud and corruption. It stated that the solicitation or acceptance of any advantages by employees from any parties is prohibited, which detailed definition are specified to instruct ethical business conduct. All employees are required to sign the *Staff Declaration Form* to ensure that they are aware of the relevant requirements and confirm that there is no possible conflict of interest regarding their investment dealing accounts.

The Group encourages its employees to report any misconduct, malpractice, or irregularity within the Group. It has established the *Whistleblowing Policy*, providing reporting channels, including email, post or in-person to the Head of Internal Audit, and guidance on reporting possible improprieties. The policy also assures the Group's protection to whistleblowers against unfair treatment and keeps the whistleblower's identity confidential. The Group would handle the reports with care and treat whistleblowers' concerns fairly, diligently, and properly. Upon receipt of a report, the Whistleblowing Committee would evaluate the validity and relevance of the concerns raised, which an investigation team would be appointed for examination and take appropriate actions needed. During the Year, no whistleblowing incidents were raised from malpractice or illegal activities within the Group.

To reinforce employees' awareness and knowledge on anti-corruption, the Group jointly held a seminar with Independent Commission Against Corruption ("ICAC") under the theme of "Professional Ethics — Key to Success" for middle management and employees during the Year. The training discussed corruption reporting and legal cases in recent years, reiterating the importance of professional integrity. Additionally, the Group invited a legal practitioner to organise an anti-corruption training session for Board members, reviewing the anti-corruption framework in Hong Kong and explaining the duties and regulatory expectation for the Board.

Anti-Money Laundering

In dedication to the confidence of customers, the Group rigorously adheres to the Anti-Money Laundering and Counter-Financing of Terrorism ("AML/CFT") regulations and strives to prevent any money laundering and terrorist financing activities. The Group has established the *Anti-Money Laundering and Counter-Terrorist Financing Policy* in the *Compliance Manual* and a robust AML/CFT program to strengthen the effective management of anti-money laundering. The Group has also adopted a risk-based approach to client due diligence and ongoing monitoring.

Identification

- Identify different red flags through the deployment of regulatory technology ("RegTech") and the exercise of professional judgement

Assessment

- Initial and ongoing assessment of customers' money laundering risk through the detailed due diligence process

Screening

- Restrict dubious customer activities (e.g. third party payments, operation of multiple accounts)

Reporting

- Report suspicious transactions to the relevant authorities on a timely basis

Training

- Provide sufficient AML training to all levels of staff every year

Furthermore, to raise awareness among employees, the Group has used a mix of training techniques and tools in delivering AML/CTF training, including physical training and self-study of training materials with learning assessment, in order to enhance employees' capability in identifying suspicious transaction and screening out high-risk customers. The Legal and Compliance Department conducts monitoring and maintains training records on a regular basis to ensure the effectiveness of training. On top of paying close attention to the latest regulatory updates, the Group will continue to review and improve its surveillance system to expand the coverage of illicit activities and advance its reporting quality.

Managing Supply Chain

The Group has formulated the *Procurement Policy* to standardise the procurement requirements and procedures, as well as specifying the role of the Procurement Panel, which is reviewed and certified on an annual basis.

With a fair and transparent selection process, the Group conducts objective evaluation and makes reasonable judgement in supplier selection. It also concerns about the management of environmental and social risks in the supply chain, constant supplier communication and assessment have been carried out to promote suppliers' performance and ensure high quality products and services. It also prioritises the selection of environmental preferable products and services to promote green procurement. For instance, soy ink and FSC-certified papers are used for printing the annual report and interim report.

EMPLOYEE CARE

To achieve successful operations and development in the long run, the Group values the role of its employees with their expertise, capability, dedication and loyalty at work. To maintain a harmonious relationship with its employees and build a competitive talent team, it makes every effort to create a fair and supportive working atmosphere for its employees.

Comprehensive Employment Management

The Group safeguards the interests of its employees through the establishment of a comprehensive employment management system. It has formulated the *Staff Manual* which detailed all employment-related policies and regulations for effective implementation, including recruitment and dismissal, promotion and transfer, benefits and welfare, working hours and rest periods and other employment practices. To retain and attract talents, a competitive remuneration package is offered to employees, including basic salary, bonuses, allowances, mandatory provident fund scheme and other compensation. Under the Performance Evaluation System of the Group, an annual review of salary and performance appraisal are conducted at the end of each year. The Group upholds the principles of equality and legal compliance throughout the employment processes. All employment terms and conditions are also clearly stated in the employment contracts and supplemental agreement, in order to protect the interest of both parties.

Ensuring Employee's Health and Safety

The Group strives to provide a safe and healthy working environment for all employees, and address any safety and health concerns, violations or incidents. As a further protection of occupational health and safety, the Group offers medical insurance, term life insurance, and accidental death and dismemberment insurance to all permanent full-time employees. There was 1 case of work-related injuries during the Year.

Given the ongoing COVID-19 pandemic during the Year, the Group has continued its pandemic prevention and control measures to safeguard employees' health and prevent the spread of viruses. Measures taken include but not limited to: (1) avoiding business travel aboard and replacing face-to-face meetings with teleconference or videoconference; (2) encouraging employees to get vaccination; (3) adopting work-from-home policy and allowing flexible working hours arrangement; (4) requiring employees to conduct temperature check and wear face masks before entering the workplace; (5) providing hand sanitisers and arranging regular disinfection cleaning at the office; and (6) circulating updated information and reminders of personal hygiene to strengthen awareness.

Providing an Inclusive Workplace

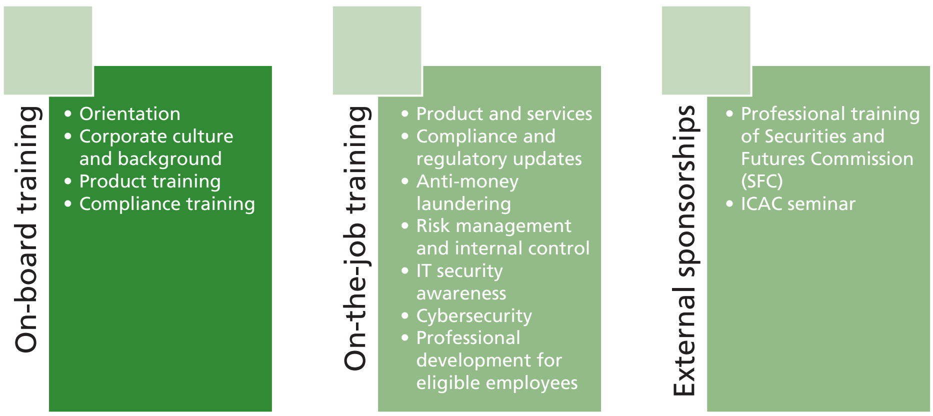
The Group advocates equal opportunity and diversity in the workplace, striving to cultivate an inclusive, fair and respectful corporate culture. It strictly adheres to the principle of fair recruitment, ensuring equal employment treatment to all, regardless of gender, age, ethnic background, religion, nationality, sexual orientation, marital status, etc.

The Group has zero tolerance for any forms of harassment and discrimination. In this regard, a grievance mechanism has been established to address and prevent discrimination and harassment in the workplace. A report may also be submitted to the Head of Internal Audit via a private email channel, which will be proceeded to the Human Resources Department for investigations and follow-up actions.

Promoting Talent Development

Recognising the growth and development of employees are paramount to sustainable business growth, the Group is devoted to promoting talent development, providing adequate and equal training and promotion opportunities for its employees.

To cultivate talent, the Group encourages employees to acquire and enhance professional knowledge and skills for work by offering in-house training programs and external sponsorships to meet their training and career development needs. The Group also incentivises employees to upgrade their skills with training and educational allowance, supporting them to attend external courses and examinations.



The Group is concerned about the career development path of its employees. During the annual performance appraisal, employees' performance in terms of work, leadership and teamwork would be reviewed so as to identify and offer promotion opportunities for distinguished employees. During the Year, the Group has continued to implement the Employee Recognition Award Scheme. Since 2020, the scheme has continuously discovered star employees, motivated employee morale, increased enthusiasm for work, and commended outstanding employees with considerable contributions to the Group.

Safeguarding Employees' Rights

As a responsible employer, the Group respects and promotes ethical and human rights at its workplace. It forbids the employment of child labour, forced labour and any other illegal employment behaviours. For prevention, clear terms and conditions of work are listed out in the *Staff Manual*. The Human Resources Department is responsible for verifying the identification documents during the recruitment process to ensure the eligibility for work of candidates.

In cases of child labour or forced labour discovered, the Group would formulate effective remedial measures in due course to protect the legitimate rights of employees and children. Through its grievance mechanism, channels of complaint are open for reporting suspected violations, which investigation and follow-up actions would be carried out impartially and efficiently.

PROTECTING THE ENVIRONMENT

The Group understands its environmental responsibility to strike a balance between business development and environmental protection. In view of the global trend of combatting climate change and achieving carbon neutrality, it has taken active steps in promoting green operations, so as to minimise its environmental impacts and address climate risks.

To advocate environmental sustainability, the Group has established the *Environmental Protection Policy Statements* to guide its approach for managing emissions, use of resources, and environmental and natural resources.

As an office-based business, the Group generates minimal negative impacts to the environment. It therefore believes that setting environmental targets on emission, hazardous and non-hazardous wastes reduction, energy use efficiency, and water efficiency would bring limited effort to environmental protection. Instead, the Group endeavours to improve its sustainability strategy, undertaking an active role to enhance sustainable development of other businesses and social sectors. For example, during the Year, the Group has newly added ESG-related assessment criteria in its QuamIR Awards to accredit outstanding ESG performance of listed companies and encourage sustainable practices. It will continue to explore ways to incorporate sustainability philosophy into its business practices, including sustainable and green finance, in contribution to promoting carbon reduction and environmental conservation.

Optimising Resources Management

To conserve the environment and natural resources, the Group devotes considerable effort to minimise its environmental footprints. It has fostered resources optimisation through various green office practices.

Resources and Waste Management

The Group focuses on enhancing resource efficiency and reducing wastage given that its business nature mainly involves office operation. It upholds the principles of "3Rs — reduce, reuse, and recycle" to manage waste and optimise the use of resources.

To foster green office practices, the Group has continued to implement the following measures on water, paper and waste management:

Use of resources	Measures
Water	Promoting water-saving: — Posting water conservation reminders to raise awareness — Conducting monthly internal inspection of water faucets and pipelines to prevent leakage
Paper	Promoting paperless office: — Adopting Office Automation system for operation — Using electronic version to deliver corporate brochures and internal quarterly E-Newsletters — Procuring environmentally friendly papers and materials, such as FSC-certified papers — Encouraging double-sided printing — Reusing folders and envelopes for internal communications — Employing a certified service provider to collect and recycle confidential paper documents
Waste	Promoting recycling and proper disposal: — Reducing the use of single-use products — Placing recycle bins to encourage waste sorting and recycling behaviors

During the Year, water consumption of the Group was 528m^3 and the water consumption intensity per staff was 2.78m^3, which are mainly used for daily cleaning and hygienic usage in offices. Although the Group has not encountered any issues in sourcing water, it will continue to enhance water use efficiency.

The Group ensures the proper waste handling to minimise waste. During the Year, it has generated 5.6 tonnes of non-hazardous waste, which are mainly domestic waste. The Group has also generated 0.01 tonnes of hazardous waste, which mainly involves fluorescent light tubes from its office operation. After sorting, the waste is collected and handled by the property management, of which non-hazardous waste is transferred to garbage collection points for disposal, while hazardous waste is recycled by professional service providers.

Advocating Green Operation

Despite the insignificant environmental impact of its office operation, the Group has incorporated green operation into its business, promoting optimal energy efficiency and emission management, so as to limit its carbon footprint.

Energy and Emission Management

To promote energy conservation, the Group has implemented energy-efficient measures to manage its energy consumption. During the Year, the Group consumed 392.6 MWh of total energy with an intensity of 2.07 MWh per staff. As its energy consumption are mainly sourced from purchased electricity, the Group has continued to ensure reasonable energy usage through the following measures:

Energy	Measures
Electricity	Improving energy efficiency: — Regular cleaning of filters and coiled fans to ensure optimal operation of ventilation system — Maintaining optimal level of indoor temperature for comfort — Using energy-efficient equipment, such as purchasing electronic appliances with Grade 1 Energy Label, installing LED lighting systems — Raising employees' energy-saving awareness through reminders, such as switching off unnecessary electronic appliances during off-hours

The Group has regularly monitored and assessed its greenhouse gas ("GHG") emissions to reinforce its carbon emissions management. During the Year, the total GHG emissions of the Group was 270.8 tonnes of CO_2-e while the total GHG emissions intensity was 1.43 tonnes of CO_2-e/staff. Its major sources of GHG emissions were Scope 2 emissions (indirect emissions), including electricity consumption and fuel consumption from company vehicles. Given the reduction of energy use, its total GHG emissions has reduced by 19% compared with previous year.

Regarding its air emissions of the Year, air pollutants generated by the Group were mainly from vehicle fuel combustion, including for 0.65 kg of nitrogen oxides ("NO_x"), 0.05 kg of sulphur oxides ("SO_x") and 0.05 kg of respirable suspended particulates ("RSP").

To protect the environment, the Group has continued to advocate tele-conferencing and video-conferencing in minimising business travel. It will also continue to explore possible green practices for energy conservation and emissions reduction.

Transitioning Towards a Zero-Carbon Economy

Facing the increasing challenges brought by climate change, the Group is aware that risks and adverse impacts caused by climate change would pose potential disruption to its business development. In response, it endeavours to promote the transition towards a zero-carbon economy and integrate sustainability concepts into its business operations and management.

During the Year, the Group has established the Climate Change Policy outlining its approach to promote climate-related governance practices so as to create long-term value for different stakeholders. It sets out three basic principles to address climate-related risks and opportunities, including mitigation, adaptation and disclosure. It would facilitate the formulation and implementation of short and long-term action plans to enhance climate resilience and adaptability of the Group.

GROWING WITH THE COMMUNITY

To realise sustainable business development, the Group aspires to be a "Growth Partner" that creates values for all stakeholders and therefore pays ongoing attention to the well-being of society. It actively seeks opportunities to understand their needs and support community development.

As highlighted in the Group's *Community Investment Policy Statement*, its community investment focuses on "Charity and Sponsorships", "Education", and "Community Events". Apart from pooling resources for charitable contribution, the Group also encourage its employees to engage in community and educational activities. During the Year, the Group has supported various community projects, including a total donation of HK$75,000 and involvement of 37 employees in community events.

With its commitment to corporate social responsibility, the Group will continue to devote its resources and engagement in community works to help those in need, as well as explore diverse ways to give back to the society, so as to promote sustainable growth of the society.

Highlights of community activities		
Education	—	Lead Sponsor of 2021 HKMA Youth Mini-Movie Marketing Competition
Environment	—	Supporting the World Wide Fund for Nature (WWF) Coastline Recovery Activity by participating the voluntary coastal clean-up
Health	—	Donating the "Go Green" pop-up store to promote a healthier and greener lifestyle to staff
	—	Supporting the Hong Kong Red Cross by participating the blood donation activity
Sports	—	Sponsoring the Youth Link Basketball Competition

Awards and recognitions
CarbonCare® ESG Label 2022
CarbonCare® Star Label 2022
WWF Silver Member 2022
Caring Company Logo 2017–22

APPENDIX

Regulatory Compliance

The Group strictly adheres to all applicable laws and regulations, and is fully acknowledged of any violation of laws and regulations may lead to repercussions such as enforcement actions by regulatory organisation, fines, and penalties. To ensure its stringent compliance with the legal and regulatory requirements, the Group has adopted robust internal control measures to manage its business operations. In this Year, as far as the Board and management have been aware, there was no material breach of, nor non-compliance with, the applicable laws and regulations by the Group and had any significant impact on its business and operations.

Aspects	Relevant laws and regulations with significant impacts	Disclosure on compliance
A1 Emissions	• Air Pollution Control Ordinance (Cap. 311) • Waste Disposal Ordinance (Cap. 354) • Water Pollution Control Ordinance (Cap. 358)	In this Year, no cases of non-compliance concerning emissions were reported.
B1 Employment	• Employment Ordinance (Cap. 57) • Minimum Wage Ordinance (Cap. 608)	In this Year, no cases of non-compliance concerning employment were reported.
B2 Health and Safety	• Air Pollution Control Ordinance (Cap. 311) • Occupational Safety and Health Ordinance (Cap. 509) • Employee Compensation Ordinance (Cap. 282)	In this Year, no cases of non-compliance concerning health and safety were reported.
B4 Labour Standards	• Employment Ordinance (Cap. 57) • Employment of Children Regulations (Cap. 57B)	In this Year, no cases of non-compliance concerning labour standards were reported.
B6 Product Responsibility	• Personal Data (Privacy) Ordinance (Cap. 486)	In this Year, no cases of non-compliance concerning product responsibility were reported.
B7 Anti-corruption	• Prevention of Bribery Ordinance (Cap. 201) • Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615)	In this Year, no cases of non-compliance concerning anti-corruption were reported, and there was no corruption litigation against the Group or its employees.

Key Performance Indicators Summary

Environmental Performance

A1 Emissions	2022	2021	2020	Unit
Air emissions[1]				
Nitrogen oxides (NO_x)	0.65	0.55	0.54	Kg
Sulphur oxides (SO_x)	0.05	0.02	0.02	Kg
Respiratory suspended particulates (RSP)	0.05	0.04	0.04	Kg
Greenhouse gas (GHG) emissions[2]				
Scope 1 Direct emissions	3.2	2.8	2.9	tonnes of CO_2-e
Scope 2 Energy indirect emissions	267.6	324.4	373.5	tonnes of CO_2-e
Scope 3 Other indirect emissions	0	7.3	11.7	tonnes of CO_2-e
Total GHG emissions	270.8	334.5	388.1	tonnes of CO_2-e
Intensity of GHG emission	1.43	1.51	1.55	tonnes of CO_2-e/staff
Waste				
Total hazardous waste produced	0.01	0.05	0.02	tonnes
Intensity of hazardous waste produced	0.1	0.2	0.1	tonnes/ '000 staff
Total non-hazardous waste produced	5.6	12.1	12.0	tonnes
Intensity of non-hazardous waste produced	0.03	0.05	0.05	tonnes/staff

A2 Use of Resources	2022	2021	2020	Unit
Energy use				
Petrol[3]	0	9.7	10.1	MWh
Diesel[4]	12.8	0	0	MWh
Electricity	379.8	454.3	464.1	MWh
Total energy consumption	392.6	463.9	474.2	MWh
Intensity of energy consumption	2.07	2.09	1.90	MWh/staff
Water use				
Total water consumption	528	577	448	m^3
Intensity of water consumption	2.78	2.60	1.79	m^3/staff

1 Air emissions were calculated according "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" suggested by the HKEX. The emission factors were adopted from "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" by the HKEX and "Emission Factors for Greenhouse Gas Inventories" by United States Environmental Protection Agency.

2 GHG emissions are calculated based on "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong". The emission factors were adopted from "Hong Kong Electric Sustainability Report 2020" by The Hongkong Electric Company, Limited and "CLP 2020 Sustainability Report" by the CLP Holdings Limited.

3 In 2022, the Group did not consume petrol.

4 In 2021 and 2020, the Group did not consume diesel.

B1 Employment		2022[5]	2021[6]	Unit
Number of staff				
By gender	Male	111	127	person
	Female	79	101	
By age	Under 30	30	45	
	30–50	124	150	
	Over 50	36	33	
By staff grade	Board and Senior management	4	4	
	Middle management	29	34	
	General staff	157	190	
By geographical region	Hong Kong	190	228	
Total		190	228	
Number of other workers[7]				
Self-employed	Market trading services[8]	82	85	person
	Office cleaning services	4	4	
Contractual staff	Consultant	3	2	
	Intern	9	12	
Total		98	103	
Number and rate of new-hired staff				
By gender	Male	19 (17.1%)	23 (18.1%)	person (%)
	Female	18 (22.8%)	29 (28.7%)	
By age	Under 30	8 (26.7%)	20 (44.4%)	
	30–50	25 (20.2%)	29 (19.3%)	
	Over 50	4 (11.1%)	3 (9.0%)	
By geographical region	Hong Kong	37 (19.5%)	52 (22.8%)	
Total		37 (19.5%)	52 (22.8%)	
Number and rate of staff turnover				
By gender	Male	37 (33.3%)	40 (31.4%)	person (%)
	Female	37 (46.8%)	34 (33.6%)	
By age	Under 30	14 (46.7%)	14 (31.1%)	
	30–50	47 (37.9%)	54 (36.0%)	
	Over 50	13 (36.1%)	6 (18.1%)	
By geographical region	Hong Kong	74 (38.9%)	74 (32.4%)	
Total		74 (38.9%)	74 (32.4%)	

5 In 2022, the number of staff only included full-time staff, the data of part-time staff (8 part-time staff) are excluded.

6 In 2021, the number of staff included both full-time and part-time staff (including 222 full-time staff and 6 part-time staff).

7 In accordance with the "How to prepare an ESG Report Appendix 3: Reporting guidance on Social KPIs" published by the HKEX, "other workers" refer to agents/contractors/suppliers hired by the issuer to perform work at a workplace controlled by the issuer or in a public area and/or to deliver work/services at the workplace of a client of the issuer; and interns/volunteers performing unpaid work for the issuer.

8 The marketing trading services included the account executive, relationship manager, and financial consultant.

B2 Occupational Health and Safety	2022 Staff	2022 Workers	Unit
Number of work-related fatalities over the past 3 years	0	0	person
Number of work-related injuries	1	0	person
Rate of work-related fatalities (per '00 staff)	0	0	%
Rate of work-related injuries (per '00 staff)	0.5	0	%
Number of lost days due to work-related injuries	1.5	0	day

B3 Training and Development		2022	2021	Unit
Percentage of staff trained[9]				
By gender	Male	60	49	%
	Female	37	43	
By staff grade	Board and Senior management	75	Not available[10]	
	Middle management	66	Not available[10]	
	General staff	47	Not available[10]	
Total		51	46	
Ratio of total staff trained				
Male		70	59	%
Female		30	41	
Average training hours				
By gender	Male	8.3	10.7	hour/person
	Female	4.3	32.8	
By staff grade	Board and Senior management	12.5	Not available[10]	
	Middle management	8.4	Not available[10]	
	General staff	6.1	Not available[10]	
Total		6.6	20.5	

B5 Supply Chain Management		2022	2021	Unit
Number of suppliers[11]				
By geographical region	Hong Kong	23	76	No. of supplier
	Mainland China	1	2	
	Other region	7	0	
Total		31	78	

9 Percentage of employees trained = Employees who took part in training/number of employees*100

10 Relevant data were not disclosed during the 2021 reporting period, the Group will continue to improve data collection and disclosure in the future.

11 The Group has applied uniform supplier management practices to all suppliers of the same type to ensure fairness.

B6 Product Responsibility	2022	2021	Unit
Number of products and service-related complaints received	2	15	No. of complaints

B7 Anti-corruption		2022	2021[10]	Unit
Average training hours	Staff	1.15	Not available	hours
	Board members	1	Not available	

B8 Community Investment	2022	2021	Unit
Culture	0	198,000	HK$
Environment	0	127,500	
Education	60,000	26,000	
Health	10,000	275,000	
Sports	5,000	5,000	
Total	75,000	631,500	

HKEX ESG REPORTING GUIDE CONTENT INDEX

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A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	39

Aspects	Description	Page/Remark
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	35, 41
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Aspects	Description	Page/Remark
B6 Product Responsibility		
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Aspects	Description	Page/Remark
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	33–34, 41
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	33, 41
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	33–34
B7.3	Description of anti-corruption training provided to directors and staff.	33–34, 45
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	40
B8.1	Focus areas of contribution.	40
B8.2	Resources contributed to the focus area.	40, 45

Corporate Events

TONGHAI FINANCIAL BECAME THE LEAD SPONSOR OF 2021 HKMA YOUTH MINI-MOVIE MARKETING COMPETITION

1 JUNE 2022

The Company has been the Lead Sponsor of 2021 HKMA Youth Mini-Movie Marketing Competition. Organized by The Hong Kong Management Association's Global Centre for Youth Development, it was a new form of contest that enable students to develop market sense through different courses, sharing sessions and competition, as well as to learn about how mini-movies could be an effective way to engage with the market. Tonghai's representative was invited to attend the award ceremony, sending the greatest congratulations on their outstanding achievements.

CELEBRATE A GREEN MID-AUTUMN FESTIVAL WITH GREEN COMMON TO PROMOTE GREENER LIFESTYLE

5 SEPTEMBER 2022

The Company was committed to taking part in concrete green projects to rebuild a more sustainable and resilient future. This summer, the Group has partnered with the plant-based grocer Green Common, by opening a "Go Green" pop-up store in our office and offering a wide range of flavorsome and healthy bites included vegan mooncake, staffs learned about how turning good into plant-based can be a simple act in the office to live a more environmentally friendly life. Along with the launch of pop-up store, it showed our great effort in an attempt to promote a healthier and greener lifestyle to staff.

TONGHAI FINANCIAL PARTICIPATED IN WWF COASTLINE RECOVERY ACTIVITY

26 SEPTEMBER 2022

The Company conducted educational programmes throughout the years to increase environmental awareness of the staff members, and to show the importance of public involvement. Joining hands with World Wildlife Fund — Hong Kong, staff members visited to Island House located in Tai Po, which has been a declared monument under the provisions of the Antiquities and Monuments Ordinance since 1983. There are over 140 identified species of plants comprising a mixture of local and introduced species that range from ferns to mature trees. The Group has always been emphasizing on environmental protection with practical demonstration. Through the citizen science survey, interactive discussions and volunteering in the coastal clean-up, we aimed to mobilize employees to change behaviors and nurture positive values and attitudes towards our coastal environment. Going forward, the Group would continue to promote greening in the community and transform our society for the better.

TONGHAI FINANCIAL WON "OUTSTANDING ASSET MANAGEMENT" RECOGNITION IN "HONG KONG COMMERCIAL DAILY FINANCIAL INSTITUTIONS AWARDS FOR EXCELLENCE 2022"

13 OCTOBER 2022

The Group received "Outstanding Asset Management" recognition in "Hong Kong Commercial Daily Financial Institutions Awards for Excellence 2022". The Awards aimed to recognize financial institutions that have made outstanding contributions to the Greater China region's economic development since year 2010. Mr. Army YAN, Chief Investment Officer of the Group was invited to the award ceremony and says, the award highlighted the Group's long-term commitment to creating value for investors and the market. It was glad that the Group's performance have also been widely recognized by the capital market and investors. In future, the Group will fully utilize its advantages, maintain professional services in response to the fast-changing market environment and create attractive returns for our clients.

Corporate Events

TONGHAI FINANCIAL AND XYZ STUDIO PARTNERS TO PROVIDE CORPORATE YOGA CLASS FOR STAFF

24 OCTOBER 2022

The Company understood employees were the greatest asset therefore, keeping them healthy and happy and maintaining their work-life balance was paramount to company's success. During a period where the pandemic situation was stabilized, the Group has collaborated with XYZ Studio to provide staff with yoga class under the guidance of professional instructors, which has carried out during working hours on a Friday afternoon in an attempt to lead our staff to find balance through music and movement. The Group would continue to provide our staff with greater variety of corporate activities, to strengthen internal communication and staff engagement.

TONGHAI FINANCIAL BASKETBALL TEAM WON THE 1ST RUNNER-UP IN THE YOUTH LINK BASKETBALL COMPETITION

13 NOVEMBER 2022

The Company was invited to participate in the Youth Link Basketball Competition for the celebration of the 73th anniversary of our National Day and the 25th anniversary of the Reunification of Hong Kong. Mr. Army YAN, Chief Investment Officer attended the opening ceremony and award presentation ceremony. Led by Mr. Army YAN, the Tonghai Financial Basketball Team received the first runner-up in the competition after multiple victories over competitors.

24 GAMES OF TONGHAI FINANCIAL MINI RED CAME TO A SATISFACTORY CONCLUSION

13 NOVEMBER 2022

The last game of the Tonghai Financial Mini Red Competition sponsored by the Company has successfully concluded at HKTA Tennis Centre on 13 November. Mr. Stacey WONG, Chief Operating and Risk Officer of Tonghai Financial attended the prize presentation to honour the winners. The Group would like to express our gratitude to Hong Kong Tennis Association for their cooperation, without which we would not be able to make the competition a success. Despite the challenges presented by the recent pandemic, Tonghai Financial wishes that this competition offered an opportunity for the youth to experience and enjoy the vitality of tennis. The Group hoped to not only support the local sports development, but also to promote a positive vibe and a healthy lifestyle in the Hong Kong society.

WWF-HONG KONG CORPORATE SUSTAINABILITY SUMMIT AND AWARDS PRESENTATION 2022

2 DECEMBER 2022

The Company worked closely with environmental NGOs and pledges as part of our commitment to environmental protection. In December, were pleased to be awarded a token of appreciation at the recently held WWF-Hong Kong Corporate Sustainability Summit and Awards Presentation 2022. The summit, with its theme of "Nature-Business Solutions: Partnerships for the Future", sought to highlight the many meaningful impacts that could be achieved if stakeholders in the environmental and business worlds work and act collaboratively. Mr. Calvin CHIU, Deputy Chief Executive Officer of China Tonghai Securities has attended the summit on behalf and expressed that the Group is looking forward to make further contribution to environmental protection work and programmes carried out by different NGOs.

THE COMPANY WAS INVITED TO THE COCKTAIL RECEPTION IN CELEBRATION OF THE 70TH ANNIVERSARY OF HONG KONG COMMERCIAL DAILY

8 DECEMBER 2022

The Company has the great honour to be invited by Hong Kong Commercial Daily to the Cocktail Reception in celebration of its 70th Anniversary. Mr. Wayne LEUNG, Operations Director of China Tonghai Asset Management, was invited to the grand occasion, expressing our sincere congratulations to Hong Kong Commercial Daily on reaching a new milestone. Hong Kong Commercial Daily went through the ups and downs and many crises of the newspaper industry but remained devoted, making remarkable achievements and valuable contributions along the way. We wished a flourishing business for the Hong Kong Commercial Daily and they would always be the greatest platform to speak out for the business sector.

TONGHAI FINANCIAL BECAME THE GOLD SPONSOR OF HKINED ANNUAL CONFERENCE 2022

13 DECEMBER 2022

The Company was honoured to partner with The Hong Kong Independent Non-Executive Director Association three years in a row in being a Sponsor of its Annual Conference. Tonghai Financial reiterated its full support the program by carrying out a series of keynote speeches and panel discussions with regards to the development and prospects of the three areas in global and local markets. Based on the theme of "A New Era in Governance: Carbon Neutrality and Board Diversity", Mr. FONG Tak Jim, Chief Investment Officer of China Tonghai Asset Management Limited has been be one of the panelists to share her insights with the topic of "Potential Carbon Market Opportunities for HK", making the Conference very lively and constructive.

TONGHAI FINANCIAL BECAME THE GOLD SPONSOR OF 2022 HONG KONG CORPORATE GOVERNANCE & ESG EXCELLENCE AWARDS

13 DECEMBER 2022

The Company is proud to be the Gold Sponsor of 2022 Corporate Governance & ESG Excellence Awards in three consecutive years. Organized by The Chamber of Hong Kong Listed Companies, the Awards provide recognition and prestige for listed companies in achieving outstanding commitment to shareholder rights, compliance, integrity, fairness, responsibility, accountability, transparency, board independence & leadership, and ESG. The awards ceremony was successfully held at Grand Hyatt Hong Kong on 13 December. Tonghai Financial representatives included Mr. Stacey WONG, the Chief Operating & Risk Officer, Mr. Jim FONG, Chief Investment Officer, Mr. Calvin CHIU, Deputy Chief Executive Officer of Tonghai Securities, etc. During the ceremony, guests shared their knowledge and insights in how a high level of corporate governance affects investors' confidence. The event brought together representative from government and industry elites, hosting a fantastic evening.

TONGHAI FINANCIAL WAS GRANTED CARBONCARE® LABEL THREE YEARS IN A ROW

14 DECEMBER 2022

The Company has earned the "CarbonCare® Label Level 3 — Achievement" granted by CarbonCare InnoLab in recognition of its excellence in the sustainability development and efforts towards a greener future. It was also presented the "CarbonCare® Star Label", a special recognition for having won the "CarbonCare® Label" for three consecutive years, evidencing its outstanding performance in fulfilling carbon reduction commitments. Looking ahead, the Group would respond to the call by promoting environmental conservation in the communities and raising green awareness among its employees, so as to further enhance long term sustainability as well as contribute to the green development of the society.

Corporate Events

TONGHAI FINANCIAL ORGANIZED BLOOD DONATION DAY

16 DECEMBER 2022

The Company recently collaborated with Hong Kong Red Cross Blood Transfusion Service in carrying out a blood donation activity. Blood transfusion is an indispensable component of health care, which may even be life-saving in various medical conditions. It contributed to save millions of lives each year in routine and emergency operations. In response to the appeal of the low blood inventory level during the fifth wave of the COVID-19 pandemic, the Group organized Blood Donation Day soonest upon the release of social distancing rules and invited senior management and Tonghai Financial colleagues to join and support. Thank you very much for the enthusiastically support from our staffs, a good number of qualified blood have been donated to the Hong Kong Red Cross Blood Transfusion Service.

Profile of Directors, Senior Managements, Senior Advisors and Key Executives

EXECUTIVE DIRECTORS

Mr. HAN Xiaosheng (韓曉生), aged 66, is the Chairman and executive Director with effect from 3 February 2017. He is the chairman of nomination committee of the Company. He is a director and one of the controlling shareholders of Quam Tonghai Holdings, which is a substantial shareholder of the Company. Mr. HAN previously served as an executive director, the chairman of the board and chief executive officer of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715). He previously served as the executive director and chief executive officer and the chairman of supervisory committee of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), the chairman of supervisory committee of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), the director of Oceanwide Group Co., Ltd.* (泛海集團有限公司), the director of China Oceanwide Group Limited and the director of Oceanwide Holdings International Financial Development Co., Ltd., which are the former controlling shareholders of the Company. He obtained a master's degree in economics from Renmin University of China in July 1996 and a Ph.D in Management from Huazhong University of Science & Technology in June 2018. Mr. HAN is a senior accountant in the People's Republic of China.

Mr. FANG Zhou (方舟), aged 52, is the executive Director of the Company with effect from 16 October 2020. He is also Deputy Chairman and chairman of executive committee of the Company since 23 November 2020 and a member of remuneration committee of the Company. Mr. FANG is the chairman of the supervisory committee of China Minsheng Trust Co., Ltd.* (中國民生信託有限公司) from August 2020. Mr. FANG previously worked in the business department of the Hubei branch of China Construction Bank from 1993 to 1998. He also worked in China Minsheng Banking Corp., Ltd. ("China Minsheng Bank"), whose shares are listed on the main board of the Stock Exchange (Stock Code: 1988) and the Shanghai Stock Exchange (Stock Code: 600016) and held senior positions in various departments of head office and branch offices of China Minsheng Bank from April 1998 to April 2020. Mr. FANG was the chief director of the Office of the Board of China Minsheng Bank from April 2015 and the board secretary of China Minsheng Bank from February 2017 to April 2018. Mr. FANG served as a director of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) from May 2021 to February 2023 and the vice chairman and president of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) from July 2021 to July 2022, which are the former controlling shareholders of the Company. He obtained a doctoral degree in economics from Wuhan University in 2008 and is an economist.

Mr. LIU Hongwei (劉洪偉), aged 56, is the executive Director with effect from 3 February 2017. He is a member of remuneration committee of the Company. He is also an executive director and deputy chairman of the board of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715). He is the director and vice-president of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and a director and president of China Oceanwide Group Limited, which are the former controlling shareholders of the Company. He previously served as a supervisor of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046). He obtained a bachelor's degree in engineering from Dalian Ocean University (formerly known as Dalian Fisheries College) in July 1989 and a master's degree in management from Massey University in New Zealand in April 2006.

Profile of Directors, Senior Managements, Senior Advisors and Key Executives

Mr. Kenneth LAM Kin Hing (林建興), aged 69, joined the Company in 2001, and is currently the executive Director of the Company and Chief Executive Officer of the Group. He is a member of nomination committee of the Company. Since 1994, he has been the Managing Director of Dharmala Capital Holdings Group, a company which was subsequently amalgamated with the Company. Mr. LAM is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the SFO for China Tonghai Securities Limited and a responsible officer for Types 1, 4 and 9 regulated activities under the SFO for China Tonghai Asset Management Limited. He is a director and one of the controlling shareholders of Quam Tonghai Holdings, which is substantial shareholder of the Company. Mr. LAM had worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. LAM has more than 40 years of experience in corporate finance and banking. He was an independent non-executive director of Hon Kwok Land Investment Company, Limited, a company listed in Hong Kong (March 2004 to August 2015) and a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to August 2013). He is the Vice Chairman of the General Committee of The Chamber of Hong Kong Listed Companies since June 2021 and the Vice Chairman and past Chairman (2009 to 2010) of the Institute of Securities Dealers Limited. He holds a Bachelor of Science Degree in University of Western Ontario (now known as Western University) with a double major in Computer Science and Economic (1976), and a Master of Business Administration in the 3-Year MBA Program of The Chinese University of Hong Kong (1983). In 2012, he was conferred on Honorary Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctor of Laws by Lincoln University.

NON-EXECUTIVE DIRECTORS

Mr. LIU Bing (劉冰), aged 65, is the non-executive Director with effect from 3 February 2017. He is currently the president of Zhihai Capital Investment & Management Co. Ltd.* (智海資本投資管理有限公司) and an executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715). He is also supervisor of Oceanwide Group Co., Ltd., which is the former controlling shareholder of the Company. He previously served as the chairman of the supervisory committee of Shenzhen Fanhai Sanjiang Electronics Co., Ltd.* (深圳市泛海三江電子股份有限公司), the global president and director of International Data Group, Inc., a director of Oceanwide Equity Investment Management Co., Ltd. (泛海股權投資管理有限公司), the vice chairman of the board of Minsheng Holdings Co., Ltd.* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416), a director of Minsheng Securities Co., Ltd.* (民生證券股份有限公司), and the supervisor of China Minsheng Trust Co., Ltd. He also previously served as the executive director and executive vice president and the vice chairman of the supervisory committee of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), the chairman of the supervisory committee of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), which are the former controlling shareholders of the Company. He obtained a master's degree in business administration from Sacred Heart University in the United States in August 1989.

Mr. ZHAO Yingwei (趙英偉), aged 52, is the non-executive Director with effect from 28 March 2018. He is a member of the audit committee of the Company. He is currently a non-executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715). Mr. ZHAO is also the chairman of supervisory committee (previously the executive director) of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), a director, executive vice-president and chief financial officer of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and director of China Oceanwide Group Limited, which are the former controlling shareholders of the Company, and the chairman of the supervisory committee of Minsheng Holdings Co., Ltd.* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416). He is a senior accountant in China. Mr. ZHAO obtained a Bachelor's degree in economics from Renmin University of China in January 1997 and a Master's degree in engineering from Beihang University in January 2013.

Mr. ZHAO Xiaoxia (趙曉夏), aged 59, is the non-executive Director with effect from 3 February 2017. He is currently the director and vice-president of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), which is the former controlling shareholder of the Company. He previously served as a director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and is the former controlling shareholder of the Company, the sub-manager of international business division and the representative of London liaison office of People's Insurance Company of China* (中國人民保險總公司), director and the general manager of Huatai Insurance Agency & Consultant Service Ltd.* (華泰保險代理和諮詢服務公司), director and the executive vice president of AXA-Minmetals Assurance Co., Ltd.* (金盛人壽保險有限公司), senior vice president of New York Life Insurance (International)* (美國紐約人壽(國際)保險公司), president and the chief executive officer of Haier New York Life Insurance Co., Ltd.* (海爾紐約人壽保險有限公司), senior vice president of Asia Capital Holding Group Limited* (亞洲資本控股集團公司) and executive vice president of North Asia Region and the head of China of ACR Reinsurance Group* (ACR再保險集團). He obtained a bachelor's degree in law from Peking University in 1985.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Roy LO Wa Kei (盧華基), aged 51, is the independent non-executive Director with effect from 3 February 2017. He is the chairman of audit committee of the Company and a member of nomination committee of the Company. He is currently the independent non-executive director of several public companies whose shares are listed on the Stock Exchange, including China Oceanwide Holdings Limited (Stock Code: 715), Wan Kei Group Holdings Limited (Stock Code: 1718) and G-Resources Group Limited (Stock Code: 1051). He also serves as the managing partner of SHINEWING (HK) CPA Limited, the member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議上海市浦東新區委員會), the president of the Hong Kong Independent Non-Executive Director Association (2021–2022), the councilor and past Divisional President 2019 — Greater China of CPA Australia. He previously served as an independent non-executive director of the following public companies whose share are listed on the Stock Exchange, including Sheen Tai Holdings Group Company Limited (Stock Code: 1335) from June 2012 to May 2020, Sun Hing Vision Group Holdings Limited (Stock Code: 125) from May 1999 to March 2021, China Zhongwang Holdings Limited (Stock Code: 1333) from October 2008 to October 2021 and Xinming China Holdings Limited (Stock Code: 2699) from June 2015 to November 2021. He obtained a bachelor's degree in business administration from University of Hong Kong in November 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in November 2000. He is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and a fellow of the Institute of Chartered Accountants in England and Wales.

Profile of Directors, Senior Managements, Senior Advisors and Key Executives

Mr. KONG Aiguo (孔愛國), aged 55, is the independent non-executive Director with effect from 3 February 2017. He is the chairman of remuneration committee of the Company, a member of audit committee and nomination committee of the Company. He is currently an independent director of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and an independent director of Shanghai Hi-Road Food Technology Co., Ltd.* (上海海融食品科技股份有公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 300915). He previously served as an independent director of Geron Co., Ltd.* (金輪藍海股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002722) from May 2020 to July 2022, an independent non-executive director of Harmonicare Medical Holdings Limited (Old Stock Code: 1509, delisted on the Stock Exchange in March 2021) from March 2015 to August 2020 and a director of Shanghai Fudan Forward Science and Technology Co., Ltd.* (上海復旦復華科技股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600624) from December 2017 to October 2020. He is a professor and Ph.D supervisor in School of Management of Fudan University. From July 1989 to August 1992, he was an assistant engineer of Wuxi 721 Factory* (無錫721廠). He obtained a doctor's degree from Fudan University in December 1996.

Mr. LIU Jipeng (劉紀鵬), aged 66, is the independent non-executive Director with effect from 18 December 2017. He is a member of the audit committee, remuneration committee and nomination committee of the Company. He is currently an independent non-executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), China Minsheng Banking Corp., Ltd.* (中國民生銀行股份有限公司), whose shares are dually listed on the Stock Exchange (Stock Code: 1988) and the Shanghai Stock Exchange (Stock Code: 600016) and an independent director of CECEP Solar Energy Co., Ltd.* (中節能太陽能股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000591) and Ucap Cloud Information Technology Co., Ltd. (開普雲信息科技股份有限公司), whose shares are listed on Shanghai Stock Exchange (Stock Code: 688228). He previously served as an independent director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd.* (中新蘇州工業園區開發集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601512) from December 2019 to June 2020, an independent director of Zhongjin Gold Corporation, Ltd.* (中金黃金股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600489) from May 2014 to March 2021, an independent director of Valiant Corporation Ltd.* (中節能萬潤股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002643) from May 2020 to November 2021, an independent director of CECEP Guozhen Environmental Protection Technology Co., Ltd.* (中節能國禎環保科技股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 300388) from December 2020 to December 2021 and an independent director of Chongqing Changan Automobile Co., Ltd.* (重慶長安汽車股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000625) from March 2016 to May 2022. He is a senior economist and certified public accountant in China. Mr. LIU obtained a Bachelor's degree in economics from Capital University of Economics and Business (formerly known as Beijing School of Economics) in July 1983 and a Master's degree in economics from Graduate School of Chinese Academy of Social Sciences in July 1986.

Mr. HE Xuehui (賀學會), aged 51, is the independent non-executive Director with effect from 3 February 2017. He is a member of the audit committee, remuneration committee and nomination committee of the Company. He is currently an EMBA professor in Shanghai National Accounting Institute* (上海國家會計學院), a senior partner of Shanghai Sigma Investment Consulting Corporation, an executive director of Shanghai Finance Institute* (上海市金融學會) and a member of Expert Committee on Working Mechanism of Prudential Qualification Appraisal of Risks Relating to Separate Accounting Business in Shanghai Pilot Free Trade Zone* (上海自貿試驗區分賬核算業務風險審慎合格評估工作機制專家委員會). From December 2012 to September 2016, he was Dean of School of Finance of Shanghai University of International Business and Economics* (上海對外經貿大學). From May 2009 to August 2012, he was a professor in Shanghai National Accounting Institute* (上海國家會計學院). From September 2003 to April 2009, he was Deputy Dean of School of Finance of Hunan University* (湖南大學金融學院). From May 2001 to January 2002, he served as a senior researcher in Shanghai Jin Xin Financial Engineering Research Institute* (上海金新金融工程研究院). He obtained a master's degree in economics from Hunan University (then known as Hunan College of Finance and Economics* (湖南財經學院)) in September 2009. He obtained a Ph.D in economics from Fudan University in December 2003.

Mr. HUANG Yajun (黃亞鈞), aged 70, is the independent non-executive Director with effect from 3 February 2017. He is a member of audit committee and remuneration committee of the Company. He is currently a professor of School of Economics and a director of Securities Research Institute of Fudan University. He is also an independent director of Shanghai Jin Jiang Online Network Service Co., Ltd.* (上海錦江在線網絡服務股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600650) and an independent director of YTO Express Group Co., Ltd.* (圓通速遞股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600233). He previously served as an independent director of Keysino Separation Technology Co., Ltd.* (上海凱鑫分離技術股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 300899) from February 2017 to October 2021 and an independent director of Shanghai Zi Jiang Enterprise Group Co., Ltd.* (上海紫江企業集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600210) from June 2014 to June 2020. He served as Deputy Dean and Dean of School of Economics of Fudan University from July 1992 to December 2000 and Deputy Dean of University of Macau from December 2000 to July 2006. He obtained a master's degree in economics from Fudan University in 1985 and a doctor's degree in economics from West Virginia University in 1992.

SENIOR MANAGEMENTS

Mr. WONG Stacey Martin, aged 55, joined the Group in November 2017. He is the Chief Operating and Risk Officer of the Company, Chief Executive Officer of securities & future business of the Group and the Co-Chief Executive Officer of the corporate finance business of the Group. Mr. WONG has over 30 years of experience in the investment banking industry. He is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the SFO for China Tonghai Securities Limited and a responsible officer for Types 1 and 6 regulated activities under the SFO for China Tonghai Capital Limited. Prior to joining the Company, Mr. WONG was the Chief Operating Officer and a director of CMBC International Holdings Limited. Mr. WONG was the Head of Investment Banking of Piper Jaffray Asia Limited (formerly named as Goldbond Group Holdings Limited which was merged by Piper Jaffray Companies (NYSE: PJC) in July 2007) and also headed Bear Stearns Asia Limited's corporate finance team, worked as the Head of BNP Paribas Peregrine Capital Limited's infrastructure and public utility corporate finance team, and spent ten years with Peregrine Capital Limited. Mr. WONG holds a Bachelor of Arts degree and a Master of Arts degree from the University of Cambridge, the United Kingdom.

Profile of Directors, Senior Managements, Senior Advisors and Key Executives

Mr. LAM Wai Hon, aged 69, joined the Group as Co-Chairman of China Tonghai Capital (Holdings) Limited in January 2023. He is a licensed representative for Types 1 and 6 regulated activities under the SFO with China Tonghai Capital Limited and a licensed representative for Types 1 and 4 regulated activities under the SFO with China Tonghai Securities Limited. Mr. LAM is currently the independent non-executive director of several public companies whose shares are listed on the Stock Exchange, including Far East Consortium International Limited (Stock Code: 35), Pacific Online Limited (Stock Code: 543) and Playmates Toys Limited (Stock Code: 869). Mr. LAM is a fellow member of The Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honours) degree from University of Newcastle Upon Tyne in England. He has over 40 years of experience in professional accounting, merchant and investment banking, and financial services and has served in senior management roles in a number of major international banking and financial institutions.

Mr. Chris WU Kwok Choi, aged 49, joined the Company in June 2017 and is the Chief Financial Officer of the Company. Mr. WU has more than 20 years of finance and accounting experience in the Greater China region. Mr. WU graduated from the Hong Kong University of Science and Technology with a bachelor's degree in Business Administration. Mr. WU is a fellow member of the Association of Chartered Certified Accountants and a fellow member of The Hong Kong Institute of Certified Public Accountants.

Mr. TANG Sei Kit, aged 49, joined the Group in March 2023 and is the Chief Executive Officer of asset management business of the Group. Mr. TANG started his career in professional services with Ernst & Young, and has over 20 years solid experience in the field of private banking spanning a number of multi-national banks namely BNP Paribas, Societe Generale, Vontobel, and Citibank. His last position was Managing Director of BNP Paribas Wealth Management before joining Crosby Securities in January 2022 as the chief executive officer of its wealth management division. He is bringing his expertise to advance the offerings to ultra high net worth clients and family offices. Mr. TANG graduated from the University of Hong Kong with a master's degree in International and Public Affairs. He is also a Certified Public Accountant (USA). He is the founder and owner of the SHOUT art hub and galleries in Asia. He is serving on the executive committee of Hong Kong Anti-Cancer Society and has joined its Communication & Fundraising Committee since 2018.

Mr. YAN Chi Kwan, aged 47, joined the Group in May 2018 and is the Chief Investment Officer of the Company. He has over 20 years of investment experience in the financial markets of the Asia-Pacific region. Mr. YAN is a responsible officer for Types 1, 4 and 9 regulated activities under the SFO for China Tonghai Asset Management Limited and a responsible officer for Type 1 regulated activity under the SFO for China Tonghai Securities Limited. Prior to joining the Group, he was the Chief Investment Officer of CMBC International Holdings Limited, responsible for investment, financing and asset management. Mr. YAN has also set his footprints in other financial institutions. He was the Head of Product and Business Development in Shenwan Hongyuan Asset Management (Asia) Limited (formerly known as Shenyin Wanguo Asset Management (Asia) Limited) and Deputy Managing Director in Shenwan Hongyuan Securities (H.K.) Limited (formerly known as Shenyin Wanguo Securities (H.K.) Limited). Mr. YAN was also the managing director in a number of well-established asset management companies where he participated in investment management, research, business and product development. He holds a Master degree in Economics and Bachelor degree in Finance from The University of Hong Kong. He is a CFA® charterholder. On personal front, Mr. YAN was a prominent speaker or lecturer in several university institutions. He conducted lectures at Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) and National Kaohsiung University of Applied Sciences (now known as National Kaohsiung University of Science and Technology).

SENIOR ADVISORS

Mr. Bernard POULIOT, aged 71, has been the Senior Advisor of the Company since October 2017. He joined the Company in 2000. He was the Chairman of the Company until February 2017 and became Deputy Chairman of the Company (from February 2017 to September 2017). He was the non-executive director of the Company (from October 2017 to June 2020). Mr. POULIOT has more than 40 years of experience in investment, finance and corporate development. Mr. POULIOT was a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to May 2013) and was appointed as the vice-chairman in February 2008.

Mr. Richard David WINTER, aged 70, has been the Senior Advisor of the Company since September 2017. He joined the Company in 2002 and was previously Deputy Chairman of the Company and Chief Executive Officer of corporate finance business of the Group. Mr. Winter has extensive experience in the investment banking and corporate finance advisory field in Hong Kong. He was managing director of Deloitte & Touche Corporate Finance Limited and before that Standard Chartered Asia Limited. He received an Honours Degree in Commerce from Edinburgh University. Mr. Winter is a member of the Takeovers and Mergers Panel and Takeovers Appeal Committee of the Securities and Futures Commission and a member of Listing Review Committee of the Hong Kong Exchanges and Clearing Limited. He is a senior fellow of Hong Kong Securities and Investment Institute, a fellow of the Institute of Chartered Accountants in England and Wales, a fellow of the Hong Kong Institute of Directors, a member of the Hong Kong Institute of Certified Public Accountants, an executive committee member of The Outward Bound Trust of Hong Kong Limited and a director of Outward Bound International.

KEY EXECUTIVES

Mr. Benny CHUNG Koon Chung, aged 49, joined the Group in May 2017 and is the Co-Chief Executive Officer of the corporate finance business of the Group. Mr. CHUNG has over 25 years of investment banking experience and had worked at the investment banking division of various multinational banks. He is a responsible officer for Types 1 and 6 regulated activities under the SFO for China Tonghai Capital Limited. Prior to joining the investment banking industry, Mr. CHUNG worked as an auditor at one of the major international accounting firms for over two years.

Mr. Calvin CHIU Chun Kit, aged 52, is the Deputy Chief Executive Officer of the securities and futures businesses of the Group. He is a responsible officer for Types 1, 2, 4 and 9 regulated activities under the SFO for China Tonghai Securities Limited. He joined the Group in 2002.

Mr. HAU Man Sing, aged 53, joined the Group in 2013 and is Head of Information Technology. Mr. HAU is responsible for the overall IT administration and services to the Group. Mr. HAU graduated from the University of Kent in England, with a Computer Science degree and has extensive experience across many IT fields.

Ms. Hortense CHEUNG Ho Sze, aged 48, is the Company Secretary of the Company. She joined the Group in 2007. Ms. CHEUNG has extensive experience in handling listed company secretarial matters and is an associate member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute.

Profile of Directors, Senior Managements, Senior Advisors and Key Executives

Mr. HUI John, aged 49, joined the Group in December 2018, is the Head of Institutional Sales of China Tonghai Securities Limited, responsible for overseeing the Institutional Sales function. Mr. HUI has more than 20 years of experience in securities brokerage business, previously held senior positions in number of leading global Investment banks and Chinese financial institutions. He is responsible officer for Types 1, 2 and 4 under the SFO for China Tonghai Securities Limited. Prior to joining the Group, Mr. HUI was the Managing Director of Institutional Sales at China Galaxy International Financial Holdings Limited, Head of Institutional Sales in CMBC International Holdings Limited and RHB Securities Hong Kong Limited. Mr. HUI received a Honor Bachelor of Commerce and Finance from University of Toronto.

Mr. Jackie LAM Chi Sun, aged 45, joined the Group in August 2019 as the Head of Internal Audit. He has over 15 years of audit experience in the financial services industry. Mr. LAM holds a Master of Investment Management from The Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Keith CHAN Chin Wang, aged 47, joined the Group in July 2018 and is the Chief of Legal and Compliance of the Group. Mr. CHAN was admitted as a solicitor of the High Court of Hong Kong Special Administrative Region in 2003. He has also obtained the qualification to practise law in Greater Bay Area in 2022. Mr. CHAN has been a practising solicitor in Hong Kong for nearly 20 years specialised in corporate finance, merger and acquisition and regulatory compliance. Prior to joining the Group, Mr. CHAN was also appointed as the Company Secretary for a number of companies whose shares are listed on the Main Board and GEM of the Stock Exchange.

Ms. TSUI Ka Chi, aged 53, is the Group Human Resources Manager of the Group. She is responsible for the overall human resources management and administration of the Group. She joined the Group in 2006. Ms. TSUI has extensive experience in human resources and administration and is a professional member of the Hong Kong Institute of Human Resource Management.

Ms. YAN Ching Man, aged 37, is the Managing Director of the securities and futures businesses of the Group. She is responsible for overseeing operations of the securities and futures businesses and is a responsible officer for Types 1, 2, 4 and 9 under the SFO for China Tonghai Securities Limited. Ms. YAN joined the Group in 2008 and rejoined again in 2020. She has extensive experience in the brokerage industry.

Mr. YIU Ding Hang, aged 60, joined the Group in June 2022. He is the Head of Compliance. Mr. YIU is qualified as a professional accountant and is a member of the Hong Kong Institute of Certified Public Accountants. He has obtained two master degrees respectively from the Hong Kong Polytechnic University and the University of Hong Kong. Mr. YIU has more than 30 years of experience in legal, compliance and company secretarial fields in the securities industry. Prior to joining the Group, he served as the Head of Legal and Compliance in several China-based investment banks and had also worked for the HKEX Group for 13 years.

The Board of China Tonghai International Financial Limited presents the annual report together with the audited financial statements of the Group for the year ended 31 December 2022 (the "Year").

PRINCIPAL ACTIVITIES

During the Year, the principal activity of the Company is investment holding and the principal activities of the subsidiaries are as follows:

a) corporate finance advisory and general advisory services;

b) fund management, discretionary portfolio management and portfolio management advisory services;

c) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing, insurance broking and wealth management services;

d) money lending services;

e) financial media services; and

f) investing and trading of various investment products.

Particulars of the principal subsidiaries of the Company as at 31 December 2022 are set out in note 47 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year, a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing, the environmental policies and performance, the relationship with key stakeholders of the Group and compliance with relevant laws and regulations that have a significant impact on the Group are set out in the section of "Chief Executive Officer's Review", "Management Discussion and Analysis", "Environmental, Social and Governance Report" and Notes to the Consolidated Financial Statements on pages 8 to 9, pages 10 to 25, pages 26 to 51 and pages 125 to 226 respectively of this annual report. In addition, details of the financial risk management of the Group are disclosed in note 41 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by business segment for the Year is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the financial position of the Company and the Group as at 31 December 2022 are set out in the financial statements on pages 118 to 226.

No interim dividend was paid during the Year (2021: Nil).

The Board has resolved not to recommend the payment of a final dividend for the Year (2021: NIL).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past financial years, which was extracted from the audited financial statements and reclassified as appropriate, is set out on page 227 and 228 of this annual report. This summary does not form part of the financial statements.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements of the property and equipment and investment property of the Company and the Group during the Year are set out in note 29 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 35 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in note 30 to the financial statements.

SHARE AWARD SCHEME

A Restricted Share Award Scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognize and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants (excluding any excluded participant) as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares ("Awarded Shares") to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The Awarded Shares will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of Awarded Shares granted by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew for the Share Award Scheme up to three times and each time for another 5-year terms. The Share Award Scheme had been renewed for five years from 19 August 2020 to 18 August 2025 (the "Renewal"). Further details of the Share Award Scheme and the Renewal were set out in the announcements of Company dated 19 August 2010 and 18 August 2020 respectively.

As at 31 December 2022, a total of 51,172,002 Awarded Shares are now held by the trustee under the Restricted Shares Award Scheme Trust which is available for allocation. No Awarded Share has been granted as at 31 December 2022. The Share Award Scheme should be retained until expiry of trust period or until informed by the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Company and the Group during the Year are set out in the consolidated statement of changes in equity, and in note 46 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for cash distribution and/or distribution in specie to Shareholders, comprising the aggregate of contributed surplus and retained profits of the Company, amounted to HK$1,988 million. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to Shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than its liabilities.

CHARITABLE DONATIONS

During the Year, the total charitable donations made by the Group is Nil (2021: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, services provided to the Group's five largest customers accounted for 27% of the total turnover, excluding investment business, for the Year and services provided to the largest customer included therein amounted to 9%. Among the five largest customers (including the largest customer), 2 of them was subsidiaries of the holding companies of Oceanwide Holdings International Financial Development Co., Ltd. (the former controlling shareholder).

Services provided from the Group's five largest suppliers accounted for 20% of the total cost of services provided for the Year and services provided from the largest supplier included therein amounted to 5%.

Save as disclosed in the consolidated financial statements and the report therein, none of the Directors or any of their associates or any Shareholder (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had, at any time during the Year, a beneficial interest in any of the five largest customers and suppliers of the Group.

SHARE OPTION SCHEME

The Company adopted an employee share option scheme on 23 September 2020 (the "Share Option Scheme"). A summary of the principal terms of the Share Option Scheme is given below:

I)	Purpose	:	The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants for their contribution or would-be contribution to the Group to obtain an equity interest in the Company and to attract potential candidates to serve the Group for the benefit of the development of the Group.
II)	Participants	:	Eligible participants of the Share Option Scheme include all directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), shareholders of the Company and any member of the Group, who, in the absolute opinion of the Board, have contributed or will contribute to the Company or the Group.
III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at 28 March 2023	:	The number of shares available for issue under the Share Option Scheme was 619,704,922 shares representing 10% of the issued share capital as at 28 March 2023.
IV)	Maximum entitlement of each participant	:	The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to each participant in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of shares in issue unless it is approved by Shareholders in general meeting of the Company, at which such participant and his close associates (or his associates if the participant is a connected person) shall abstain from voting.

		Any share options propose to grant to a substantial Shareholder or an independent non-executive Director of the Company or to any of their respective associates, in the 12-month period up to and including the date of the grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, are subject to approval by Shareholders in general meeting of the Company.
V) The period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not more than 10 years from the relevant date of grant of the options.
VI) The minimum period for which an option must be held before it can be exercised	:	The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The Share Option Scheme does not contain any such minimum period.
VII) The amount payable upon acceptance of the option	:	HK$10.0 is payable by each eligible participant as consideration for the grant of an option on acceptance of options within 21 days from the date of offer of the options.
VIII) The basis of determining the subscription price	:	The subscription price must be at least the higher of: (i) the closing price of share as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.
IX) The remaining life of the scheme	:	The Share Option Scheme shall be valid and effective until the close of business of the Company on the date which falls 10 years after the adoption date.

No share option has been granted since the adoption of the Share Option Scheme. Therefore, there was no share option outstanding as at 31 December 2022 and no share option lapsed or was exercised or cancelled during the Year.

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report are:

Executive Directors

Mr. HAN Xiaosheng
Mr. FANG Zhou
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Non-executive Directors

Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia

Independent Non-executive Directors

Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

In accordance with Bye-laws 87 of the Company and pursuant to code provision B.2.2 of Appendix 14 of the Listing Rules, Mr. Kenneth LAM Kin Hing, Mr. LIU Bing, Mr. Roy LO Wa Kei and Mr. HUANG Yajun will retire by rotation at the forthcoming annual general meeting. They are being eligible and will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of its independent non-executive Director an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in rule 3.13 of the Listing Rules.

DIRECTORS' REMUNERATION

Details of the emoluments of the Directors for the Year are set out in note 15 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the Group, in general, is determined with reference to the financial position and operating results of the Company and the prevailing market condition and trends. On this basis, the emolument of the Directors is determined with reference to their individual performances, involvement in the Group's affairs, the

Company's performance and profitability. For the executive Directors, their remuneration is reviewed by the Remuneration Committee of the Company. As for the independent non-executive Directors, remuneration is determined by the Board, upon the recommendation from the Remuneration Committee of the Company. A resolution will be proposed at the forthcoming annual general meeting to obtain Shareholders' authorisation for the Board to fix Directors' remuneration.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENTS

Biographical details of Directors and senior managements of the Group are presented on pages 65 to 72 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. HAN Xiaosheng and Mr. LIU Hongwei has entered into a service agreement with the Company to act as executive Director for a term of three years commencing 3 February 2023, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his service agreement.

Mr. FANG Zhou has entered into a service agreement with the Company to act as executive Director for a term of three years commencing 16 October 2021, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a monthly directors' fee of HK$246,000.

Mr. Kenneth LAM Kin Hing has entered into a service agreement with the Company to act as executive Director for a term of three years commencing 1 October 2020, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a monthly salary of HK$433,334.

Each of Mr. LIU Bing and Mr. ZHAO Xiaoxia has entered into a letter of appointment with the Company to act as non-executive Director for a term of one year commencing 3 February 2023, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his letter of appointment.

Mr. ZHAO Yingwei has entered into a letter of appointment with the Company to act as non-executive Director for a term of one year commencing 28 March 2023, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He has agreed and acknowledged that he is not entitled to any director's fee or bonus as remuneration for his services during the continuance of his directorship under his letter of appointment.

Each of Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui and Mr. HUANG Yajun has entered into a letter of appointment with the Company to act as independent non-executive Director for a term of one year commencing 3 February 2023, all renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. Each of them is entitled to receive a fixed annual director's fee of HK$250,000 and will not receive any variable remuneration from the Group.

Mr. LIU Jipeng has entered into a letter of appointment with the Company to act as independent non-executive Director for a term of one year commencing 18 December 2022, renewable following the expiration of the term and is subject to the retirement by rotation and re-election in accordance with the provisions of the bye-laws of the Company. He is entitled to receive a fixed annual director's fee of HK$250,000 and will not receive any variable remuneration from the Group.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Continuing Connected Transaction" in this director's report and in note 40 to the financial statements, no Director had a material interest in any transactions, arrangements or contract of significance to the business of the Group subsisted at the end of the Year or at any time during the Year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS

The interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

As at 31 December 2022:

(i) Long Position in Shares and the underlying Shares

Name of Directors	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Shares in issue (Note 1)
Mr. HAN Xiaosheng ("Mr. HAN")	Interest of controlled corporation	4,098,510,000 (Note 2)	66.13%
Mr. Kenneth LAM Kin Hing ("Mr. LAM")	Beneficial owner	113,072,833	1.82%
	Interest of controlled corporation	4,098,510,000 (Note 2)	66.13%

(ii) Long positions in the shares of associated corporations of the Company

(a) *Oceanwide Holdings*

Name of Directors	Capacity	Number of shares in Oceanwide Holdings	Approximate percentage of shareholding in Oceanwide Holdings (Note 3)
Mr. HAN	Beneficial owner	3,500,000	0.06%
Mr. LIU Hongwei	Beneficial owner	30,000	0.0005%
Mr. LIU Bing	Beneficial owner	90,000	0.001%
Mr. ZHAO Yingwei	Beneficial owner	200,000	0.003%
Mr. ZHAO Xiaoxia	Beneficial owner	183,500	0.003%

(b) *China Oceanwide*

Name of Director	Capacity	Number of shares in China Oceanwide	Approximate percentage of shareholding in China Oceanwide (Note 3)
Mr. LIU Jipeng	Beneficial owner	9,212,000	0.05%

(iii) Interest in the debentures of an associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Amount of debenture
Mr. LAM	Oceanwide Holdings International Development III Co., Ltd.	Personal interest	US$15,200,000 (Note 4)
	Oceanwide Holdings IF	Corporate interest	HK$784,378,183 (Note 2)

As at the date of this annual report:

(i) Long Position in the Shares

Name of Directors	Capacity	Number of Shares held	Approximate percentage of shareholding in the Shares in issue (Note 5)
Mr. HAN	Interest of controlled corporation	4,098,510,000 (Note 6)	66.13%
Mr. LAM	Beneficial owner	113,072,833	1.82%
	Interest of controlled corporation	4,098,510,000 (Note 6)	66.13%

(ii) Long positions in the shares of associated corporation of the Company

(a) Quam Tonghai Holdings

Name of Directors	Capacity	Number of shares in Quam Tonghai Holdings	Approximate percentage of shareholding in Quam Tonghai Holdings (Note 7)
Mr. HAN	Beneficial owner	490	49%
Mr. LAM	Beneficial owner	510	51%

(iii) Interest in the debentures of the Company

Name of Director	Nature of interest	Amount of debenture
Mr. FANG Zhou	Personal interest	HK$1,000,000

Notes:

1. The approximate percentage shown was the number of Shares the relevant Director was interested in expressed as a percentage of the total number of issued Shares as at 31 December 2022.

2. On 6 May 2022, Quam Tonghai Holdings, a corporation controlled by Mr. LAM, entered into a deed of assignment, whereby Quam Tonghai Holdings was assigned part of the rights, title and interest (other than any voting rights) in the secured and guaranteed notes issued by Oceanwide Holdings IF (the "Notes"), which is subordinated to the liabilities owing to the assignor under or in connection with the Notes, in the principal amount of HK$784,378,183. The Notes is secured by, among others, 4,098,510,000 Shares.

   On 5 July 2022, Mr. HAN, the executive director of the Company, acquired 49% of the issued share capital in Quam Tonghai Holdings from Mr. LAM.

3. The approximate percentage shown was the number of shares the relevant Director was interested in expressed as a percentage of the total number of issued shares of the relevant entity as at 31 December 2022.

4. As at 31 December 2022 (and subsequent to the date of annual report), Mr. LAM had an interest in US$15,200,000 of the US$146,045,000 14.5% private notes due 2024 issued by Oceanwide Holdings International Development III Co., Ltd.

5. The approximate percentage shown was the number of Shares the relevant Director was interested in expressed as a percentage of the total number of issued Shares as at the date of this annual report.

6. Quam Tonghai Holdings is the beneficial owner of 4,098,510,000 Shares and it is owned as to 51% by Mr. LAM and 49% by Mr. HAN, whose respective shares in Quam Tonghai Holdings are charged pursuant to a share charge dated 3 May 2022 (as supplemented by a supplemental deed dated 3 February 2023) in favour of Nautical League Limited (a company beneficially solely owned by Ms. LU Xiaoyun, the daughter of Mr. LU). By virtue of the SFO, Mr. LAM and Mr. HAN are deemed to be interested in 4,098,510,000 Shares.

7. The approximate percentage shown was the number of shares the relevant Director was interested in expressed as a percentage of the total number of issued shares of the relevant entity as at the date of annual report.

Save as disclosed above, as at 31 December 2022 and at the date of this annual report, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSON'S INTERESTS

So far as were known to the Directors, the following persons (other than the Directors) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the shares in issue of the Company, were as follows:

As at 31 December 2022:

Long Position in the Shares

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue (Note 12)
Mr. LU Zhiqiang ("Mr. LU")	Interest of controlled corporations	4,493,764,732 (Note 1)	72.51%
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	4,493,764,732 (Note 2)	72.51%
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	4,493,764,732 (Note 3)	72.51%
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Interest of controlled corporations	4,493,764,732 (Note 4)	72.51%
Oceanwide Holdings	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%
China Oceanwide Group Limited	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%
Oceanwide Holdings IF	Beneficial owner	4,493,764,732 (Note 5)	72.51%
Haitong Securities Co., Ltd.	Interest of controlled corporations	4,100,000,000 (Note 6)	66.16%
Haitong International Holdings Limited	Interest of controlled corporations	4,100,000,000 (Note 7)	66.16%
Haitong International Securities Group Limited	Interest of controlled corporations	4,100,000,000 (Note 8)	66.16%
Haitong International Investment Solutions Limited (now known as "Spring Progress Investment Solutions Limited")	Security interest in shares	4,100,000,000 (Note 9)	66.16%
Mr. TSUI Chi Chiu	Joint and several receivers	4,098,510,000 (Note 10)	66.13%
Ms. SO Kit Yee Anita	Joint and several receivers	4,098,510,000 (Note 10)	66.13%
Quam Tonghai Holdings	Security interest in Shares	4,098,510,000 (Note 11)	66.13%

As at the date of this annual report:

Long Position in the Shares of the Company

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue (Note 15)
Quam Tonghai Holdings	Beneficial owner	4,098,510,000 (Note 13)	66.13%
Mr. LU	Interest of controlled corporations	395,254,732 (Note 1)	6.38%
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	395,254,732 (Note 2)	6.38%
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	395,254,732 (Note 3)	6.38%
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Interest of controlled corporations	395,254,732 (Note 4)	6.38%
Oceanwide Holdings	Interest of controlled corporations	395,254,732 (Note 14)	6.38%
China Oceanwide Group Limited	Interest of controlled corporations	395,254,732 (Note 14)	6.38%
Oceanwide Holdings IF	Beneficial owner	395,254,732 (Note 14)	6.38%
Haitong Securities Co., Ltd.	Interest of controlled corporations	4,100,000,000 (Note 6)	66.16%
Haitong International Holdings Limited	Interest of controlled corporations	4,100,000,000 (Note 7)	66.16%
Haitong International Securities Group Limited	Interest of controlled corporations	4,100,000,000 (Note 8)	66.16%
Haitong International Investment Solutions Limited (now known as "Spring Progress Investment Solutions Limited")	Security interest in shares	4,100,000,000	66.16%

Notes:

1. Mr. LU held more than one third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股有限公司). By virtue of the SFO, Mr. LU is deemed to be interested in all the Shares in which Tohigh Holdings Co., Ltd.* (通海控股有限公司) is interested.

2. Tohigh Holdings Co., Ltd.* (通海控股有限公司) held the entire issued share capital of Oceanwide Group Co., Ltd.* (泛海集團有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.* (通海控股有限公司) is deemed to be interested in all the Shares held by Oceanwide Group Co., Ltd.* (泛海集團有限公司).

3. Oceanwide Group Co., Ltd.* (泛海集團有限公司) held 98% interest in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.* (泛海集團有限公司) is deemed to be interested in all the Shares held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司).

4. China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) directly and indirectly held 58.35% interest in the issued share capital of Oceanwide Holdings. By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is deemed to be interested in all the Shares held by Oceanwide Holdings.

5. Oceanwide Holdings IF is a wholly-owned subsidiary of China Oceanwide Group Limited, which in turn is a wholly-owned subsidiary of Oceanwide Holdings. The Company were informed by Oceanwide Holdings IF that, as at 31 December 2022, a total of 1,490,000 shares were sold in the open market, as a result of which the number of Shares it held was reduced from 4,495,254,732 to 4,493,764,732. By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings are deemed to be interested in 4,493,764,732 Shares.

6. Haitong Securities Co., Ltd held 100% interest in the issued share capital of Haitong International Holdings Limited. By virtue of the SFO, Haitong Securities Co., Ltd is deemed to be interested in all the Shares held by Haitong International Holdings Limited.

7. Haitong International Holdings Limited indirectly held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Holdings Limited is deemed to be interested in all the Shares held by Haitong International Securities Group Limited.

8. Haitong International Investment Solutions Limited (now known as "Spring Progress Investment Solutions Limited") is an indirect subsidiary of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Securities Group Limited is deemed to be interested in all the Shares held by Haitong International Investment Solutions Limited.

9. According to the announcement of Oceanwide Holdings dated 5 December 2018, Oceanwide Holdings IF issued to Haitong International Investment Solutions Limited the short-term notes in the principal amount up to HK$1,100,000,000 pursuant to which Oceanwide Holdings IF has pledged 4,100,000,000 Shares (representing 66.16% of the issued share capital of the Company as at 31 December 2022) to Haitong International Investment Solutions Limited.

10. On 20 October 2021, Mr. TSUI Chi Chiu and Ms. SO Kit Yee Anita were appointed as joint and several receivers over 4,098,510,000 Shares held by Oceanwide Holdings IF (the "Receivers") pursuant to the security deed dated 3 December 2018 entered into between Oceanwide Holdings IF as chargor and Spring Progress Investment Solutions Limited (previously known as "Haitong International Investment Solutions Limited") as chargee (the "Appointer") relating to a subscription agreement (as amended and extended thereafter from time to time) entered into between the Appointer as the noteholder and Oceanwide Holdings IF as issuer dated 3 December 2018 for the subscription of the notes issued by Oceanwide Holdings IF and the note instrument executed by Oceanwide Holdings IF dated 4 December 2018. Details were set out in the announcement of the Company dated 27 October 2021.

11. On 6 May 2022, Quam Tonghai Holdings entered into a deed of assignment, whereby Quam Tonghai Holdings was assigned part of the rights, title and interest (other than any voting rights) in the secured and guaranteed notes issued by Oceanwide Holdings IF (the "Notes"), which is subordinated to the liabilities owing to the assignor under or in connection with the Notes. The Notes is secured by, among others, 4,098,510,000 Shares.

    On 5 July 2022, Mr. HAN, the executive director of the Company, acquired 49% of the issued share capital in Quam Tonghai Holdings from Mr. Lam. Accordingly, Quam Tonghai Holdings is owned as to 51% by Mr. Lam and 49% by Mr. HAN.

    On 15 September 2022, Quam Tonghai Holdings, Oceanwide Holdings IF and the Receivers entered into the deed of share purchase relating to the sale and purchase of 4,098,510,000 Shares. Details were set out in the announcement of the Company dated 15 September 2022.

12. The approximate percentage shown was the number of Shares the relevant person was interested in expressed as a percentage of the total number of issued Shares as at the 31 December 2022.

13. Following the Completion as defined and set out in the section headed "CHANGE OF CONTROL" in this report, Quam Tonghai Holdings is the beneficial owner of 4,098,510,000 Shares.

14. Following the Completion as defined and set out in the section headed "CHANGE OF CONTROL" in this report, Oceanwide Holdings IF is the beneficial owner of 395,254,732 Shares. By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings are deemed to be interested in 395,254,732 Shares.

15. The approximate percentage shown was the number of Shares the relevant person was interested in expressed as a percentage of the total number of issued Shares as at the date of annual report.

Save as disclosed above, as at 31 December 2022 and at the date of this annual report, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

CHANGE OF CONTROL

The Board was informed by Quam Tonghai Holdings (the "Offeror") that on 15 September 2022, the Offeror (as purchaser), Oceanwide Holdings IF being the Vendor (as vendor) and the Receivers (as receivers) entered into the deed of share purchase, pursuant to which the Offeror conditionally agreed to purchase and the Vendor (acting by the Receivers as its attorneys without personal liability pursuant to the powers granted under the security deed dated 3 December 2018 entered into between the Vendor (as charger) and Spring Progress Investment Solutions Limited (as noteholder)) conditionally agreed to sell 4,098,510,000 Shares (the "Sale Shares"), representing approximately 66.13% of the entire issued share capital of the Company as at 15 September 2022. The Consideration was HK$819,702,000 in aggregate, equivalent to HK$0.2 per Sale Share.

The completion of the sale and purchase of the Sale Shares (the "Completion") took place on 3 February 2023. Immediately following the Completion and as at the date of this annual report, the Offeror and parties acting in concert with it (other than Oceanwide Holdings IF, China Oceanwide Group Limited, Oceanwide Holdings, Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司), China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), Oceanwide Group Co., Ltd.* (泛海集團有限公司), Tohigh Holdings Co., Ltd.* (通海控股有限公司), Mr. LU, Ms. LU Xiaoyun and Nautical League Limited (the "Vendor Group")) held an aggregate of 4,211,582,833 Shares, representing approximately 67.96% of the entire issued share capital of the Company as at the date of the Completion and as at the date of annual report, respectively.

The Offeror is required under Rule 26.1 of The Code on Takeovers and Mergers to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than Vendor Group). The Composite documents is expected to be despatched on or before 14 April 2023.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 December 2022, none of the Directors or their respective associates was interested in any business which was considered to compete or was likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Group during the Year are included in the transactions and balance set out in note 40 to the financial statements.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the continuing connected transactions set out in note 40 to the financial statements and have confirmed that these continuing connected transactions have been entered into:

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

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Certain related party transactions as disclosed in note 40 and the transaction as disclosed in note 38 (in respect of loan to directors) to the financial statements were "continuing connected transaction" or fell within de minimis continuing connected transaction which exempted from reporting, announcement and independent shareholders' approval under the Listing Rules. The Company has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

HLB Hodgson Impey Cheng Limited ("HLB"), the Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. HLB has issued an unmodified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSURE PURSUANT TO RULE 13.15 OF THE LISTING RULES

		Amortised cost		Fair value	
Items	**Transactions**	**Principal amounts**	**Net Carrying amounts (Note 1)**	**Principal amounts**	**Net Carrying amounts (Note 2)**
The following term loans were extended by China Tonghai Finance Limited ("China Tonghai Finance", an indirect wholly owned subsidiary of the Company) to China Oceanwide:					
1	on 31 March 2021, China Tonghai Finance extended a term loan in an amount of HK$3 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$3 million	HK$1 million (Note 1a)	—	—
2	on 31 March 2021, China Tonghai Finance extended a term loan in an amount of HK$5 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$5 million	HK$1 million (Note 1a)	—	—

Items	Transactions	Amortised cost Principal amounts	Amortised cost Net Carrying amounts (Note 1)	Fair value Principal amounts	Fair value Net Carrying amounts (Note 2)
3	on 31 March 2021, China Tonghai Finance extended a term loan in an amount of HK$8 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$8 million	HK$1 million (Note 1a)		
4	on 31 March 2021, China Tonghai Finance extended a term loan of HK$28 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$28 million	HK$5 million (Note 1a)		
5	on 21 December 2020, China Tonghai Finance extended a term loan in the amount of HK$280 million with an interest rate of 12% per annum to 31 December 2021.	HK$280 million	HK$49 million (Note 1a)		
6	on 31 December 2020, China Tonghai Finance extended a term loan of HK$156 million with an interest rate of 12% per annum and with a maturity date of 31 December 2021.	HK$156 million	HK$27 million (Note 1a)		

The following term loans and margin facility were provided or extended to China Oceanwide International Investment Company Limited ("COII") or Minyun Limited ("Minyun"), indirect subsidiaries of Tohigh Holdings Co., Ltd.* (通海控股有限公司):

1	on 3 December 2019, China Tonghai Finance provided a term loan of HK$64.5 million to Minyun with an interest rate of 7.875% per annum and with a maturity date of 31 January 2022.	HK$64.5 million	HK$17 million (Note 1a)	—	—
2	an outstanding margin facility of HK$5 million provided by China Tonghai Securities Limited ("China Tonghai Securities, an indirect wholly-owned subsidiary of the Company) to Minyun pursuant to the terms of facility agreement dated 3 March 2020 at interest rate of 6% above prime rate per annum payable annually. The facility is secured by the collateral which shall be charged to or held by China Tonghai Securities for its benefit as a first priority fixed continuing security for the payment and/or discharge to China Tonghai Securities of all and any of the Minyun's liabilities to China Tonghai Securities pursuant to the terms of the facility.	—	—	HK$5 million	HK$5 million (Note 2a)
3	an outstanding margin facility of HK$38 million provided by China Tonghai Securities to COII pursuant to the terms of facility agreement dated 3 March 2020 at interest rate of 3% above prime rate per annum payable by COII annually. The facility is secured by the collateral which shall be charged to or held by China Tonghai Securities for its benefit as a first priority fixed continuing security for the payment and/or discharge to China Tonghai Securities of all and any of the COII's liabilities to China Tonghai Securities pursuant to the terms of the facility.	—	—	HK$8 million	HK$1 million (Note 2a)

Items	Transactions	Amortised cost: Principal amounts	Amortised cost: Net Carrying amounts (Note 1)	Fair value: Principal amounts	Fair value: Net Carrying amounts (Note 2)
4	on 31 March 2021, China Tonghai Finance extended a term loan of HK$3 million with an interest rate of 12% per annum to COII and with maturity date of 31 March 2022.	HK$3 million	HK$1 million (Note 1a)	—	—
5	on 30 June 2021, China Tonghai Finance extended the consolidated term loans in an aggregate amount of approximately HK$141,240,822 with an interest rate of 12% per annum to COII and with a maturity date of 30 June 2022.	HK$141 million	HK$39 million (Note 1a)	—	—
6	on 30 June 2021, China Tonghai Finance extended a term loan of HK$12 million with an interest rate of 12% to COII and with a maturity date of 30 June 2022.	HK$12 million	HK$3 million (Note 1a)	—	—
7	on 28 March 2022, China Tonghai Finance extended a term loan of HK$10 million with an adjusted interest rate of 10% per annum to COII and with maturity date of 31 December 2022.	HK$10 million	HK$3 million (Note 1a)	—	—
8	on 28 March 2022, China Tonghai Finance extended a term loan of HK$45 million with an adjusted interest rate of 10% per annum to COII and with maturity date of 31 December 2022.	HK$45 million	HK$12 million (Note 1a)	—	—
9	on 28 March 2022, China Tonghai Finance extended a term loan of HK$12.5 million with an interest rate of 10% per annum to COII and with maturity date of 31 December 2022.	HK$12.5 million	HK$3 million (Note 1a)	—	—
10	on 28 January 2021, China Tonghai Finance extended a term loan in the aggregate amount of HK$678 million with an adjusted interest rate of 10.5% per annum to COII and with a maturity date of 28 January 2022	HK$678 million	HK$185 million (Note 1a)	—	—
11	On 1 March 2021, China Tonghai Finance provided a term loan of HK$200 million with an interest rate of 10.5% per annum to COII and with maturity date of 31 March 2022.	HK$200 million	HK$55 million (Note 1a)	—	—

The following term loan and unsecured private notes were provided or extended to Oceanwide Holdings International Development III Co., Ltd. (the "Issuer/OHIDIII", a subsidiary of Oceanwide Holdings Co):

1	on 1 April 2021, China Tonghai Finance extended the consolidated term loans in an aggregate amount of approximately HK$391 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK$391 million	HK$88 million (Note 1a)	—	—
2	on 26 April 2022, China Tonghai Capital (Holdings) Limited ("China Tonghai Capital Holdings, a wholly-owned subsidiary of the Company) and China Tonghai Securities subscribed unlisted senior notes issued by the Issuer in the subscription amount of US$91 million (equivalent to approximately HK$709.8 million) with coupon interest rate of 11.8% per annum, payable semi-annually and with a maturity date of 25 April 2023.	HK$709.8 million	HK$163 million (Note 1b)		

Items	Transactions	Amortised cost Principal amounts	Amortised cost Net Carrying amounts (Note 1)	Fair value Principal amounts	Fair value Net Carrying amounts (Note 2)
3	on 2 June 2021, China Tonghai Capital Holdings subscribed an unsecured private notes issued by the Issuer in the subscription amount of US$12 million (equivalent to approximately HK$93.6 million) with coupon interest rate of 11.8% per annum and with a maturity date of 1 June 2022.	HK$93.6 million	HK$21 million (Note 1b)	—	—
4	on 30 June 2021, China Tonghai Finance extended a term loan of HK$45 million with an interest rate of 11% per annum and with a maturity date of 30 June 2022.	HK$45 million	HK$10 million (Note 1a)	—	—
5	on 30 June 2021, China Tonghai Finance extended a term loan of HK$27.5 million with an interest rate of 12% per annum and with a maturity date of 30 June 2022.	HK$27.5 million	HK$6 million (Note 1a)	—	—
6	on 31 December 2020, China Tonghai Finance extended a term loan of HK$27.5 million with an interest rate of 12% per annum and with maturity date of 31 December 2021.	HK$27.5 million	HK$6 million (Note 1a)	—	—
7	on 4 March 2021, China Tonghai Finance provided a term loan of HK$180 million with an interest rate of 12% per annum and with maturity date of 31 March 2022.	HK$180 million	HK$41 million (Note 1a)	—	—
8	on 22 March 2021, China Tonghai Finance provided a term loan of HK$20 million with an interest rate of 12% per annum and with maturity date of 31 March 2022.	HK$20 million	HK$4 million (Note 1a)	—	—
	Total	HK$3,140.4 million	HK$741 million	HK$13 million	HK$6 million

Notes:

1a. As at 31 December 2022, approximately HK$557 million forms part of the HK$1,050 million total for current portion of other loans (note 23) in the consolidated statement of financial position.

1b. As at 31 December 2022, HK$184 million forms part of the HK$184 million total for current portion of financial assets not held for trading and market making activities (note 19) in the consolidated statement of financial position.

2a. As at 31 December 2022, HK$6 million forms part of the HK$670 million total for current portion of loans to margin clients (note 21) in the consolidated statement of financial position.

As at 31 December 2022, all the above loans were still outstanding but expired, except one of the senior notes issued by the Issuer in the amount of USD91 million.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 31 December 2021, the Company as borrower entered into a deed of amendment with a licensed bank in Hong Kong as lender (the "Banking Facility Arrangement") to extend the banking facility with the principal amount of HK$410 million (the "Extended Banking Facility") for one year from 31 December 2021. On 30 December 2022, the repayment date of the outstanding balance under the Extended Banking Facility had been extended to 31 March 2023.

Pursuant to the Banking Facility Arrangement, Oceanwide Holdings IF and Oceanwide Holdings International Co., Ltd., being the immediate controlling shareholders of the Company and China Oceanwide, charged 395,254,732 Shares and 3,095,818,070 shares of China Oceanwide respectively, which represents 6.38% of the total issued Shares and 19.18% of total issued shares of China Oceanwide (as at 31 December 2022), respectively, in favour of the licensed bank.

Pursuant to the Banking Facility Arrangement, Mr. LU and his parties acting in concert, shall at all times directly or indirectly beneficially own not less than 60% of the issued Shares ("Specific Performance of Mr. Lu"). Upon the breach of this condition, the Extended Banking Facility will immediately and automatically be cancelled and all outstanding loans, together with accrued interest, and all other amounts accrued under the December Banking Facility Arrangement, become immediately due and payable.

On 28 March 2023, the Company as borrower entered into a deed of amendment (the "Deed of Amendment") with the licensed bank to extend the banking facility with the principal amount of HK$330 million to 29 December 2023, from the date upon which the conditions precedent under the Deed of Amendment are fulfilled. The Specific Performance of Mr. LU would remove. Pursuant to the Deed of Amendment, it requires Mr. LAM to maintain controlling interest in Quam Tonghai Holdings or Quam Tonghai Holdings shall at all times directly beneficially own not less than 60% of the issued Shares.

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 issued Share was held by the public as at the date of this annual report, being the latest practicable date.

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are presented in the Corporate Governance Report which is set out on pages 95 to 108 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in the execution of his office or otherwise in relation thereto. The Company has taken out insurance policies against the liability and costs associated with defending any proceeding.

EQUITY-LINKED AGREEMENT

For the financial period ended 31 December 2022, the Group did not enter into any equity-linked agreement.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes of information of the Directors since the date of 2022 Interim Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Directors	Details of Change
Mr. HAN Xiaosheng	— Enter the service agreement with the Company for a term of three years commencing 3 February 2023
Mr. LIU Hongwei	— Enter the service agreement with the Company for a term of three years commencing 3 February 2023
Mr. LIU Bing	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2023
Mr. ZHAO Yingwei	— Entered the letter of appointment with the Company for a term of one year commencing 28 March 2023
Mr. ZHAO Xiaoxia	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2023
Mr. Roy LO Wa Kei	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2023
Mr. KONG Aiguo	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2023
Mr. LIU Jipeng	— Entered the letter of appointment with the Company for a term of one year commencing 18 December 2022 — Appointed as independent director of Ucap Cloud Information Technology Co., Ltd.* (開普雲信息科技股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 688228), in September 2022
Mr. HE Xuehui	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2023
Mr. HUANG Yajun	— Entered the letter of appointment with the Company for a term of one year commencing 3 February 2023

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

AUDITORS

The financial statement for the year ended 31 December 2020 and 31 December 2021 were audited by KPMG. The financial statement for the year ended 31 December 2022 were audited by HLB.

During the Year, KPMG resigned as auditor of the Company with effect from 21 November 2022 as the Company was unable to reach consensus with KPMG regarding the auditor's remuneration for the year ending 31 December 2022. HLB Hodgson Impey Cheng Limited ("HLB") was appointed as the new auditor of the Company with effect from 21 November 2022 to fill the casual vacancy arising from the resignation of KPMG and to hold office until the conclusion of the next annual general meeting of the Company.

HLB will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint HLB as auditor of the Company.

On behalf of the Board
China Tonghai International Financial Limited

LIU Hongwei
Executive Director

Hong Kong, 28 March 2023

The Company is committed to maintaining high standards of corporate governance in order to ensure better transparency and safeguard the shareholders' interest in general. The Board reviews its corporate governance practices on periodic basis in order to build the effective self-regulatory practices and implementing sound internal control systems.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code of Appendix 14 of the Listing Rules (the "CG Code"), throughout the year ended 31 December 2022 (the "Year") and subsequent period up to the date of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. The code of conduct is also updated from time to time in order to keep abreast with the latest changes in the Listing Rules. It has also been extended to specific employees of the Company who are likely to be in possession of unpublished price sensitive information in respect of their dealings in the securities of the Company.

In response to specific enquiry, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all Shareholders for the manner in which the affairs of the Company are managed, controlled and operated, and they devote sufficient time and attention to the Company's affairs. To the best of the Company's knowledge, there is no financial or family relationship among the Board members. All of them are free to exercise their independent judgment on all matters concerning the Company.

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. HAN Xiaosheng is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. Mr. Kenneth LAM Kin Hing is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the overall management of the Group's business and recommendation of strategies to the Board. Matters reserved for the Board include formulation of the Group's long-term business strategy, consideration of dividend policy, approval of major investments, maintenance of an adequate system of internal controls and risk management. The Board is also responsible for developing, reviewing and monitoring the corporate governance policies and practices of the Company, training and continuous professional development of directors and senior management, the policies and practices of the Company on compliance with legal and regulatory requirements, and the compliance of the Model Code and compliance manual applicable to employees and directors. Daily operations and administration are delegated to management teams.

The Board currently has twelve members which comprise:

— four executive directors, namely Mr. HAN Xiaosheng (the Chairman), Mr. FANG Zhou, Mr. LIU Hongwei and Mr. Kenneth LAM Kin Hing;

— three non-executive directors, namely Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia; and

— five independent non-executive directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.

The brief biographical details of the above directors are set out in the section of "Profile of Directors, Senior Managements, Senior Advisors and Key Executives" of this annual report. A list containing the names of the Directors and their roles and functions can also be found on the website of the Company (www.tonghaifinancial.com) and the website of HKEXnews (www.hkexnews.hk).

The Company has five independent non-executive Directors which represents one third of the Board. They are highly experienced professionals and business people with a broad range of expertise and experience in areas covering accounting, finance and business management and the Board as a whole has achieved an appropriate balance of skills and experience. They bring independent judgment to bear on issues of strategy, policy and performance, accountability, resources, key appointments and standards of conduct, and enable the Board to maintain high standards of compliance with financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of Shareholders and the Company. At least one of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Company has received, from each independent non-executive Director, a written confirmation of his independence pursuant to rule 3.13 of the Listing Rules. On this basis, the Company considers all independent non-executive Directors to be independent. The independent non-executive Directors had been expressly identified in all corporate communications of the Company that disclose the names of Directors.

All the non-executive Directors are appointed for a term of one year, subject to renewal and re-election as and when required under the Listing Rules and the Bye-laws.

The Board is continually updated on the Group's business and regulatory environments in which it operates and other changes affecting the Group. The Company has provided the Board with monthly updates of the Group's management information such as performance and key operational highlights to enable the Directors to discharge their duties.

The Company has arranged insurance cover for all Directors in respect of any legal action against the Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential legal liabilities.

During the Year, the Board met 8 times in person or through telephone conference to approve the final results for the year ended 31 December 2021, interim results for the six months ended 30 June 2022, the issuance of private notes, the change of auditor and the change of control, to discuss the notifiable transaction and to consider financial and operating performances and strategic investment decisions of the Group. 2 general meetings were held which consisted of one annual general meeting and 1 special general meeting.

The number of Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, Nomination Committee Meetings, Executive Committee Meetings and General Meetings attended by each Director during the Year is set out in the following table:

		Number of Meetings Attended/Eligible to Attend (Percentage of Attendance)											
	Notes	Board		Audit Committee		Remuneration Committee		Nomination Committee		Executive Committee		General Meeting	
Number of Meetings Held	7	8		6		2		1		13		2	
Executive Directors													
Mr. HAN Xiaosheng	4	6/6	(100%)		N/A		N/A	1/1	(100%)	11/13	(85%)	2/2	(100%)
Mr. FANG Zhou	1, 6	5/7	(71%)		N/A	2/2	(100%)		N/A	11/13	(85%)	0/2	(0%)
Mr. LIU Hongwei	6	7/7	(100%)		N/A	2/2	(100%)		N/A	13/13	(100%)	2/2	(100%)
Mr. Kenneth LAM Kin Hing		6/6	(100%)		N/A		N/A	1/1	(100%)	13/13	(100%)	2/2	(100%)
Non-executive Directors													
Mr. LIU Bing		1/7	(14%)		N/A		N/A		N/A		N/A	0/2	(0%)
Mr. ZHAO Yingwei	5	5/7	(71%)	4/5	(80%)		N/A		N/A		N/A	2/2	(100%)
Mr. ZHAO Xiaoxia		5/7	(71%)		N/A		N/A		N/A		N/A	2/2	(100%)
Independent Non-executive Directors													
Mr. Roy LO Wa Kei	2	8/8	(100%)	6/6	(100%)		N/A	1/1	(100%)		N/A	2/2	(100%)
Mr. KONG Aiguo	3	8/8	(100%)	5/6	(83%)	2/2	(100%)	1/1	(100%)		N/A	2/2	(100%)
Mr. LIU Jipeng		7/8	(88%)	6/6	(100%)	2/2	(100%)	1/1	(100%)		N/A	2/2	(100%)
Mr. HE Xuehui		8/8	(100%)	6/6	(100%)	2/2	(100%)	1/1	(100%)		N/A	2/2	(100%)
Mr. HUANG Yajun		5/8	(63%)	5/6	(83%)	1/2	(50%)		N/A		N/A	2/2	(100%)

Notes:

1. Chairperson of the Executive Committee

2. Chairperson of the Audit Committee

3. Chairperson of the Remuneration Committee

4. Chairperson of Nomination Committee

5. Mr. ZHAO Yingwei has been appointed as a member of Audit Committee with effect from 16 March 2022

6. Mr. FANG Zhou and Mr. LIU Hongwei have been appointed as a members of Remuneration Committee with effect from 16 March 2022

7. Excluding written resolutions in lieu of meeting passed pursuant to bye-laws of the Company during the Year

Each director is aware that he should give sufficient time and attention to the affairs of the Company. Upon reviewing (a) the directorships and major commitments of each Director; and (b) the attendance rate of each Director on board meeting and committee meetings as well as general meetings, the Board is satisfied that Directors have spent sufficient time in performing their responsibilities during the Year.

Arrangements are in place to allow all Directors the opportunity to include matters for discussion in the agenda of each Board meeting. At least fourteen days' notice of all Board meetings is given to all Directors. The agenda and board materials are sent to all Directors at least three days in advance of every Board meeting to facilitate informed discussion and decision-making. The Board have separate and independent access to the Company's senior management for information and making enquires if necessary. Senior managements will be invited to attend the Board meeting, when necessary, to provide information and explanation to facilitate the decision-making process.

If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. That Director will abstain from voting on the relevant board resolution in which he or any of his associates has a material interest and he shall not be counted in the quorum present at such Board meeting. Independent Non-Executive Directors, who, and whose close associates have no material interest in the transaction, are present at the board meeting.

All Directors have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.

The proceedings of the Board at its meetings are generally conducted by the Chairman who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to the Directors to speak, express their views and share their concerns. It is satisfied that the independent views and input are available to the board during the year 2022.

The Company Secretary keeps minutes of each meeting. Draft minutes are sent to all Directors within a reasonable time for their comment and final versions of the minutes are available for inspection by all Directors at any time.

Any new director appointed by the Board during the year either to fill a casual vacancy or as an addition to the Board shall be required to be offered for re-election at the first annual general meeting after the appointment pursuant to the Bye-laws of the Company. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting. Therefore, no Director has an effective term of appointment longer than three years.

At the annual general meeting of the Company held on 24 June 2022, Mr. LIU Hongwei was re-elected as executive Director, Mr. ZHAO Xiaoxia was re-elected as non-executive Director; Mr. KONG Aiguo and Mr. HE Xuehui were re-elected as independent non-executive Directors.

In order to allow the newly appointed Directors to understand the responsibilities under the relevant regulatory requirements, the operation and business of the Company, the Company will provide an orientation package including key legal requirements, the Memorandum and Bye Laws and information of the Company to and arrange a tailor-made induction for the newly appointed directors.

BOARD COMMITTEES

The Company has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee can be found on the website of the Company (www.tonghaifinancial.com) and the website of HKEXnews (www.hkexnews.hk).

Audit Committee

The Audit Committee has been established to assist the Board in reviewing the financial information of the Company, maintaining the relationship with the external auditor and overseeing the financial reporting system, risk management and internal control procedures of the Company.

It currently comprises a non-executive Director, namely Mr. ZHAO Yingwei, and five independent non-executive Directors, namely Mr. Roy LO Wa Kei (the Chairman), Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun. No member of the Audit Committee was a former partner of the existing external auditor of the Company.

The major role and authorities of the Audit Committee are summarised below:

i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and review and monitor their independence and objectivity as well as the effectiveness of the audit process;

ii) to approve the remuneration and terms of engagement of external auditors, maintain appropriate relationship between the Group and the external auditors and develop policy on the engagement of the external auditors to supply non-audit services;

iii) to ensure the integrity of the interim and annual consolidated financial statements and any significant financial reporting judgments contained in them; and review the external auditors' work, including management letter and management's response; and

iv) to review the Company's financial controls, internal controls and risk management systems.

During the Year, six Audit Committee meetings were held. The Chief Operating and Risk Officer, the Chief Financial Officer, the Head of Internal Audit, the Head of Legal and Compliance and other key executives of the Company were also invited to participate in the meetings. The Audit Committee members also met privately with the external auditor during the Year.

During the Year, the Audit Committee has discharged its responsibilities by considering and reviewing the following:

i) the financial statements for the year ended 31 December 2021 and for the six months ended 30 June 2022;

ii) the audit plan and the nature, scope and process of the external audit;

iii) the continuing connected transactions of the Group for the year ended 31 December 2021;

iv) the recommendation to the Board on the re-appointment of external auditor;

v) the risk management and internal control systems of the Company;

vi) the internal audit reports, the major findings and recommendations from internal audit;

vii) the adequacy of resources, qualifications and experience of staff, training programmes and budget of the accounting and financial reporting function; and

viii) the change of external auditor.

Remuneration Committee

The Remuneration Committee has been established and empowered by the Board to determine and review the remuneration packages of individual executive Directors and senior management, including salaries, bonuses, share options and benefits in kind.

It currently comprises two executive Directors, namely Mr. FANG Zhou and Mr. LIU Hongwei, and four independent non-executive Directors, namely Mr. KONG Aiguo (the chairman), Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.

The major roles and authorities of the Remuneration Committee are summarised below:

i) to review and recommend to the Board on the Group's remuneration policy and strategy;

ii) to review and approve the proposals for remuneration of the executive Directors, senior management and employees of the Group; and

iii) to review and approve the compensation arrangement relating to the dismissal or removal of directors.

During the Year, two Remuneration Committee meetings were held and the Remuneration Committee has discharged its responsibilities by considering and reviewing the following:

i) the time commitment of the members;

ii) the performance bonus for senior management; and

iii) the adjustment of director's fee of an executive Director.

The basis for determining the emolument payable to directors and senior management are with reference to the prevailing market condition, the financial performance of the Company, time commitment and responsibilities and comparable market statistics. Staff remuneration is determined by the Group's management by reference to the individual staff's qualifications, performance and prevailing market conditions.

Nomination Committee

The Nomination Committee has been established on 16 March 2022 and is accountable to the Board to review the Board composition, to make recommendations to the Board on the appointment or reappointment of Directors and to assess the independence of independent non-executive Directors.

It currently comprises two executive-Directors, namely Mr. HAN Xiaosheng (the chairman) and Mr. Kenneth LAM Kin Hing, and four independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng and Mr. HE Xuehui.

The major roles and authorities of the Nomination Committee are summarised below:

i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy;

ii) to identify individuals suitably qualified to become members of the Board and select or make recommendation to the Board on the selection of individuals to be nominated as directorship;

iii) to assess the independence of INEDs having regard to the criteria under the Listing Rules; and

iv) to make recommendation to the Board on the appointment or re-appointment of directors and succession planning for directors.

During the Year, one Nomination Committee meetings were held and the Nomination Committee meeting has discharged its responsibilities by considering and reviewing the following:

i) the structure and composition (including the skills, knowledge and experience) of the Board;

ii) the effectiveness of the board diversity policy;

iii) the Nomination policy;

iv) the re-election of directors at the forthcoming annual general meeting; and

v) the independence of INEDs.

The Group has adopted the nomination policy with retrospective effect from 1 January 2019. Each proposed new appointment or re-election of a director will be assessed and/or considered against the criteria and process set out in the nomination policy.

Any new director appointed by the Board during the year either to fill a casual vacancy or as an addition to the Board shall be required to be offered for re-election at the first annual general meeting pursuant to the Bye-laws of the Company.

Shareholders may propose a person for election as a Director at the general meeting of the Company pursuant to the Bye-laws of the Company. The procedures for such proposal can be found on the website of the Company (www.tonghaifinancial.com).

Executive Committee

The Executive Committee has been established which oversees the implementation of group business strategy, oversees the business operations and performance, examines major investments and monitors the management performance. It also identifies and manages the market risk, credit risk, liquidity risk, operational risk, legal risk and regulatory risk of the Group, devises the Group's risk management strategy and strengthens the Group's system of risk management. It currently comprises all the executive Directors, namely Mr. HAN Xiaosheng, Mr. FANG Zhou (the chairman), Mr. LIU Hongwei and Mr. Kenneth LAM Kin Hing (the deputy chairman). In order to sustain the long-term business development of the Company, meetings are usually held once every month.

The senior managements and key executives, namely the Chief Operating and Risk Officer, the Chief Financial Officer, Chief Investment Officer and the Head of Legal and Compliance are invited to participate actively in the meetings. Minutes of the Executive Committee Meetings had also been sent to all the members of the Board within a reasonable time for review.

BOARD DIVERSITY

In February 2014, the Board has adopted the Board Diversity Policy which aims to set out the approach to achieve diversity on the Board. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on meritocracy while taking into account of diversity. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contributions that the selected candidates are likely to bring to the Board. The Board Diversity Policy, as appropriate, will be reviewed on periodic basis to ensure its continuing effectiveness.

As a whole, the Board is diverse in terms of education background, professional background and business experience. Their age, gender and length of service with the Company can be found in the section of "Profile of Directors, Senior Managements, Senior Advisors and Key Executives" of this annual report. While the Board comprises twelve Directors now, all of which is male, the Board is conscious of the gender diversity as one of the important factors for the Company to select suitable candidate as a director. The ultimate decision will still be based on merits and contributions that the selected candidates are likely to bring to the Board.

As at 31 December 2022, the Group has approximately 58% of the workforce (including one executive director and the senior management) is male and approximately 42% is female. The Board will strive to maintain gender diversity when recruiting and selecting senior management and other personnel with reference to the Group's operation but ultimate decision will still be based on merits and contribution that they will bring to the business development of the Group.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors and company secretary of the Company (the "Company Secretary") should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contributions to the Board are made on a well-informed basis.

During the Year, all Directors had complied with the code provision in relation to continuous professional development. Directors (namely, Mr. HAN Xiaosheng, Mr. FANG Zhou, Mr. LIU Hongwei, Mr. Kenneth LAM Kin Hing, Mr. LIU Bing, Mr. ZHAO Yingwei, Mr. ZHAO Xiaoxia, Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun) have involved reading materials and updates relevant to the regulatory changes, director's duties and responsibilities and also attended a webinar organised by external legal advisor on anti-corruption.

During the Year, the Company Secretary confirmed that she has undertaken no less than 15 hours of relevant professional training.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments of the Directors for the Year are set out in note 15 to the financial statements.

The remuneration (included salaries, discretionary bonus and performance bonus) of the three members of senior management in 2022, whose particulars are set out in the section headed "Profile of Directors, Senior Management, Senior Advisor and Key Executives" in this annual report, for the Year by band is set out below:

Remuneration Bands	Number of Senior Management
Below HK$5,000,000	2
Above HK$5,000,000	1

AUDITOR'S REMUNERATION

During the Year, the Group has engaged the following audit and non-audit services provided by the external auditor (i.e. KPMG and HLB Hodgson Impey Cheng Limited ("HLB")):

Type of services	HK$'000
Audit fee for the Group	
— Current year	2,450
— Under provision in prior year	—
Taxation services for the Group	—
Non-audit services in respect of notifiable transaction under Listing Rules	155
TOTAL	2,605

The Audit Committee will recommend the appointment of HLB for assurance service for the financial year ending 31 December 2023 at a fee to be agreed.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges that they are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Company and of the Group as at 31 December 2022 and of the Group's financial performance and cash flow for the year ended 31 December 2022 in accordance with Hong Kong Financial Reporting Standards and the applicable disclosure provisions of the Listing Rules and for ensuring that appropriate accounting policies are selected and applied consistently.

HLB, the external auditor of the Company, stated their reporting responsibilities in the Independent Auditor's Report which is set out on pages 109 to 117 of this annual report.

The financial statements are prepared on a going concern basis. The Board confirms that, to the best of their knowledge, they are not aware of any material events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy") effective from 9 January 2019.

The declaration of dividends by the Company is subject to any restrictions under the Company Act 1981 of Bermuda, the Listing Rules, bye-laws of the Company and any applicable laws, rules and regulations. Distribution will usually be considered annually after the annual accounts of the Company are approved by the Shareholders but interim distribution may be made from time to time to Shareholders as appear to the Board to be justified by the position of the Company.

The declaration of future dividends will be subject to the decision by the Board and will depend on, among other things, the operation and financial performance, liquidity conditions, capital requirements and future funding needs, contractual restrictions, availability of reserves and the prevailing economic climate or any other factors that our Directors may consider relevant.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges the responsibility for establishing and maintaining an adequate system of internal control and risk management. The internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to protect the Group's operations and its clients from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

The Group has well established risk management mechanism. Each business departments has the primary responsibility of managing its business risk, and serves as the first line of defence for the risk management and internal control systems. The middle and back office departments, which perform their management functions independently from the business units, particularly Risk Management Department and Legal & Compliance Department, form the second line of defence for the risk management and internal control systems. Charged with the major duty of independent oversight of risks, the legal and compliance team is responsible for managing legal and compliance risks, whereas the Risk Management Team is tasked with management of the overall risk governance, credit risk, market risk, liquidity and funding risk, and operational risk. The Internal Audit Department of the Company serves as the third line of defence to provide independent review and assurance of the Group's internal control effectiveness by adoption of risk-based approach.

During the Year, the Executive Committee continued to oversee the internal control and risk management systems of the Group on an ongoing basis, and had reviewed the particular internal controls and governance issues of the Group at each Executive Committee meeting with the assistance of the Chief of Operating and Risk Officer and Head of Legal and Compliance.

The internal audit function develops its annual audit plan with a risk-based approach that covers the Group's major business activities and supporting functions' operations, procedures, as well as its IT environment. The annual audit plan is approved by the Audit Committee at the beginning of each year. The result of each audit will be reported to the Audit Committee. Moreover, special reviews will be conducted on specific areas of concern identified by the Audit Committee and senior management.

The Board, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function during the Year. The review will be conducted annually in accordance with the requirements of the CG Code.

The Company is aware of its disclosure obligations under the Listing Rules and the Inside Information provisions under the Securities and Futures Ordinance and has put in place the proper procedure to ensure that any perceived inside information would be announced to the investing public on a timely basis.

The Board reviews the effectiveness of the Group's risk management and internal control systems on an ongoing basis. Through the structure and measures mentioned above, the Board considered that systems and procedures of the internal control and risk management of the Group were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the shareholders, including institutional investors, is crucial. The Company manages investor relations systematically as a key part of its operations and continues to promote and enhance investor relations and communications with the investors.

The Company maintains a company website at www.tonghaifinancial.com. It is a channel of the Company to communicate with the investing public with our latest corporate development. All our corporate communications, such as press release, statutory announcement, circular, annual report and interim report etc. are available on the website whereas circular, annual report and interim report are printed and sent to all shareholders of the Company. Shareholders and investors may also email their enquiries to the Company's email address: ir@tonghaifinancial.com, which will be handled by the Company's investor relations team. The Company has established a shareholders' communication policy, which can be found on the website of the Company (www.tonghaifinancial.com). Having considered the multiple channels of communication available, it is satisfied that the shareholders communication policy has been properly implemented during the year 2022 and is effective.

The last annual general meeting of the Company was held on 24 June 2022 at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong. At the meeting, the ordinary business of adopting the audited financial statements for the year ended 31 December 2021, the re-election of Directors, the re-appointment of auditor and the authorisation of the Directors to fix their remuneration were approved. Ordinary resolutions providing Directors with general mandates to repurchase and allot and issue shares of the Company subject to the relevant limits under the Listing Rules were also approved. The special resolution adopting the new bye-laws of the Company was also approved. Mr. HAN Xiaosheng, Mr. LIU Hongwei, Mr. Kenneth LAM Kin Hing, Mr. ZHAO Yingwei, Mr. ZHAO Xiaoxia, Mr. Roy LO Wa Kei (Chairman of Audit Committee), Mr. KONG Aiguo (Chairman of Remuneration Committee), Mr. LIU Jipeng, Mr. HE Xuehui, Mr. HUANG Yajun and representatives of KPMG (the external auditor) were present and available to answer questions at the meeting.

The forthcoming annual general meeting of the Company will be scheduled in June 2023. Details of the meeting and the necessary information on issues to be considered in the meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

CONSTITUTIONAL DOCUMENTS

The Company has adopted a new bye-laws of the Company at the last annual general meeting held at 24 June 2022. The purpose of adopting a new set of bye-laws were, among others, (i) providing for flexibility for the Company to convene and hold electronic meetings; (ii) conforming to the core shareholder protection standards as set out in Appendix 3 of the Listing Rules; and (iii) incorporating other consequential and housekeeping amendments to update or clarify provisions of the bye-laws where it was considered fit and desirable. Save as disclosed, there was no change in the memorandum and bye-laws of the Company during the year ended 31 December 2022.

The memorandum and new bye-laws are available on the website of the Company and the website of HKEXnews.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a special general meeting of the Company. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong.

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting; or (b) are not less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's registered office and principal place of business in Hong Kong.

The written requisition must be signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's registered office and principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

CONCLUSION

The Company believes that good corporate governance practices raise the confidence of investors towards the Company. The Company will keep its ongoing effort to enhance the corporate governance practices in order to meet the changing circumstances.

国衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Tonghai International Financial Limited ("the Company") and its subsidiaries ("the Group") set out on pages 118 to 226, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' 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 these requirements and 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Assessment of the fair value of level 2 and 3 financial instruments</th></tr>
<tr><td colspan="2">Refer to note 42 to the consolidated financial statements and notes 2.15 and 2.21 of the accounting policies.</td></tr>
<tr><th>The Key Audit Matter</th><th>How our audit considered the key matter</th></tr>
<tr><td>As at 31 December 2022, the fair value of the Group's financial assets carried at fair value represented approximately 27.8% of its total assets. Approximately HK$670,502,000 and HK$352,056,000 were classified under the fair value hierarchy as level 2 and 3 financial instruments respectively.

The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.

Some of the inputs used in the valuation models are obtained from readily available data for liquid markets. Where such observable data is not available, as in the case of level 3 financial instruments which are generally illiquid in nature, estimates need to be developed which can involve significant management judgement and assumptions.</td><td>Our audit procedures for assessing the fair value of level 2 and 3 financial instruments included the following:

• assessing the design, and implementation of key internal controls related to the valuation of level 2 and 3 financial instruments;

• obtaining, enquiring and evaluating investment agreements for level 2 and level 3 financial instruments at selection basis to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;

• assessing the reasonableness of the fair value of selected level 2 financial instruments by assessing fair value of underlying collateral or involving auditors' valuation specialists to perform review on underlying valuation inputs, assumptions and parameters.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Assessment of the fair value of level 2 and 3 financial instruments (Continued)	
Refer to note 42 to the consolidated financial statements and notes 2.15 and 2.21 of the accounting policies. (Continued)	
The Key Audit Matter	**How our audit considered the key matter**
As at 31 December 2022, approximately 51.6% and 27.1% of financial assets measured at fair value were categorised within level 2 and level 3 respectively. Due to the significance of financial instruments measured at fair value, we identified assessing the fair value of level 2 and 3 financial instruments as a key audit matter because of the degree of complexity and uncertainty involved in valuing certain financial instruments and because of the significant degree of judgement and assumptions exercised by management in determining the inputs used in the valuation models.	• for valuations which used significant unobservable inputs of level 3 financial instruments, such as unlisted equity securities and private equity fund, we involved our appointed valuation specialists in assessing the models used, re-performing independent valuations, analysing the sensitivities of valuation results to key inputs and assumptions with reference to the requirements of the prevailing accounting standard and evaluating whether the assumptions are appropriate by comparing with publicly available market data, testing inputs to the fair value calculations; • comparing the fair values of those investment funds where the valuation is referenced to the funds' net asset value with the net asset value reports provided by fund managers, obtaining a sample of the most recent audited financial statements of the funds, and evaluating the historical accuracy of the net asset values; and testing, on a sample basis, the fair value of the underlying investments to their quoted price, if available, or valuation reports prepared by external specialist. • evaluating the competence, capabilities and objectivity of the external valuation specialist; and • evaluating the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th colspan="2">Expected credit loss allowance of financial assets measured at amortised cost</th></tr>
<tr><td colspan="2">Refer to note 41 and 44 to the consolidated financial statements and notes 2.15 the accounting policies.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter considered in our audit</th></tr>
<tr><td>As at 31 December 2022, the Group's financial instruments measured at amortised cost, net of expected credit loss ("ECL") allowance, amounted to approximately HK$3,255,778,000, represented 69.6% of the Group's total assets, of which HK$881,788,000 is with former related parties. Total ECL allowance was HK$4,134,498,000 as at 31 December 2022, of which HK$2,808,971,000 is provided for financial instruments with related parties as counterparty.

The Group applied the expected credit loss model to assess ECL allowances of financial instruments measured at amortised cost in accordance with HKFRS 9, Financial Instruments.

Upon the completion of share transfer transaction took place in February 2023 resulted in change in controlling shareholders and given the liquidity concern and ongoing litigations of the Group's former related parties, including the Group's former immediate holding company, former intermediate holding company and its fellow subsidiary, has led to additional challenges in assessing the amounts expected to be recovered from the Group's former related parties. The Group had engaged an external specialist to assess ECL allowances of financial assets with related parties and certain third parties.

The management exercised significant judgements and estimation in its assessment of ECL allowance of financial instruments measured at amortised cost. The determination of impairment allowance using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, determining whether the credit risk has increased significantly and credit impairment events have occurred, estimates of probability of default (PD), loss given default (LGD), exposures at default(EAD), adjustments for forward-looking information, discounts rates and other adjustment factors. Significant judgment is involved in the selection of the parameters and the application of the assumptions.</td><td>Our audit procedures in respect to the ECL allowance for financial instruments measured at amortised cost included the following:

• understanding and assessing the design, and implementation of key internal controls of financial reporting over the approval, recording, monitoring and regular evaluation of financial instruments measured at amortised cost and the calculation of ECL allowance;

• involving auditors' valuation specialists in assessing the Group's ECL model in determining ECL allowances, including assessing the appropriateness of the methodology applied with reference to the prevailing accounting standard and appropriateness of the key parameters and assumptions used by comparing to market information and considering the possibility of management bias in the determination of key assumptions adopted;

• evaluating the competence, capabilities and objectivity of the external valuation specialist;.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Expected credit loss allowance of financial assets measured at amortised cost (Continued)

Refer to note 41 and 44 to the consolidated financial statements and notes 2.15 the accounting policies. (Continued)

The Key Audit Matter	How the matter considered in our audit
In particular, the determination of the probability of default is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL are derived from estimates including the historical losses, historical overdue data and other adjustment factors. Management also exercises judgement in determining the quantum of LGD based on a range of factors. These include available remedies for recovery, the financial situation of the borrowers or investees, the recoverable amount of collaterals, the seniority of the claims and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collaterals have an impact on the recoverable amount of collaterals and therefore the amount of ECL allowances as at the end of the reporting period. We identified ECL allowance of financial instruments measured at amortised cost as a key audit matter due to the significance of allowance for ECL at amortised cost, inherent uncertainty and management judgement involved, and significance to the financial results and capital of the Group.	• for financial instruments measured at amortised cost that are with related parties as the counterparty, involving auditors' valuation specialists in assessing the reasonableness of the ECL allowances calculated by the external specialist by assessing the reliability and appropriateness of the ECL model and the reasonableness of key parameters used in the model, including: PD, LGD, EAD, discount rate, forward-looking adjustments, and evaluated the rationality of the key management judgements on those key parameters by comparing to market information and considering the possibility of management bias in the determination of key assumptions adopted and with reference to the prevailing accounting standard; • assessing the accuracy of input data of key parameters used in the ECL models by comparing the internal data on a sample basis, with underlying documents for financial instruments measured at amortised cost and comparing external data on a sample basis with publicly available information; • for key parameters involving judgement, critically assessing input parameters by seeking evidence from independent sources. As part of these procedures, we challenged the reasons for modifications, if any, to how the estimates and input parameters are derived and considered the consistency of judgement. We compared the economic factors, on a sample basis, used in the models with market information to assess whether they were aligned with market and economic development; we also compared externally available data to the list of litigations considered by the external specialist to assess the appropriateness of the LGD for balances with those related parties.

KEY AUDIT MATTERS (CONTINUED)

Expected credit loss allowance of financial assets measured at amortised cost (Continued)

Refer to note 41 and 44 to the consolidated financial statements and notes 2.15 the accounting policies. (Continued)

The Key Audit Matter	How the matter considered in our audit
	• analysing the borrowers' financial and non-financial information, and other available information, and evaluating the reasonableness of management's judgement on staging, including whether credit risk has increased significantly since initial recognition and whether credit impairment events have occurred by reviewing the credit files, interviewing management, independently searching for publicly available information and exercising professional judgement; • evaluating the lifetime credit losses for financial instruments measured at amortised cost that are credit-impaired by evaluating the management's assessment of cash flows expected to be recovered and challenging the viability of the Group's expected recovery; • checking, on a sample basis, the mathematical accuracy of the Group's calculation of the ECL allowances; and • evaluating the reasonableness of the disclosures on ECL allowance with reference to the requirements of the prevailing accounting standard.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 14 April 2022 with emphasis of matter paragraph relating to material uncertainty related to going concern.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 28 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Fee and commission income	5	**131,532**	210,684
Interest income			
— Calculated using the effective interest method	5	**145,870**	440,076
— Calculated using other method	5	**123,530**	173,079
Net investment (loss)/gain	5	**(578,750)**	33,983
Total revenue	5	**(177,818)**	857,822
Other (loss)/income	6	**(73,417)**	15,110
Direct costs		**(103,824)**	(141,838)
Staff costs	9	**(165,883)**	(186,178)
Depreciation and amortisation	10	**(41,940)**	(45,807)
Expected Credit Loss ("ECL") net charges		**(916,544)**	(2,582,604)
Finance costs			
— Interest on borrowings	8	**(49,078)**	(59,717)
— Interest on lease liabilities	8	**(1,277)**	(2,725)
Other operating expenses	11	**(53,841)**	(55,325)
Share of result of an associate		**(556)**	526
Share of results of joint ventures		**—**	1,552
Loss before tax	10	**(1,584,178)**	(2,199,184)
Tax credit/(expense)	12	**514**	(61,393)
Net loss attributable to equity holders of the Company		**(1,583,664)**	(2,260,577)
Loss per share for net loss attributable to equity holders of the Company		**HK cent(s)**	HK cent(s)
— Basic and diluted	13	**(26)**	(37)

The notes on pages 125 to 226 form part of these financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 14.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Net loss attributable to equity holders of the Company	**(1,583,664)**	(2,260,577)
Other comprehensive loss including reclassification adjustments		
Item that may be reclassified subsequently to profit or loss		
— Exchange (loss)/gain on translation of financial statements of foreign operations	**(2,846)**	980
Items that will not be reclassified subsequently to profit or loss		
— Capital distribution from investment measured at fair value through other comprehensive income	**1,321**	—
— Changes in fair value of financial assets measured at fair value through other comprehensive income (note 19(b))	**—**	(3,840)
Other comprehensive loss including reclassification adjustments and net of tax	**(1,525)**	(2,860)
Total comprehensive loss attributable to equity holders of the Company	**(1,585,189)**	(2,263,437)

The notes on pages 125 to 226 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	As at 31 December 2022			As at 31 December 2021		
		Current HK$'000	Non-current HK$'000	Total HK$'000	Current HK$'000	Non-current HK$'000	Total HK$'000
ASSETS							
Cash and cash equivalents	16	195,206	—	195,206	405,290	—	405,290
Bank balances held on behalf of clients	17	1,123,090	—	1,123,090	1,178,362	—	1,178,362
Financial assets held for trading	18	583,802	41,219	625,021	1,026,012	83,082	1,109,094
Financial assets not held for trading	19	184,279	4,210	188,489	267,612	4,210	271,822
Derivative financial instruments	20	—	—	—	17,267	—	17,267
Loans to margin clients	21	670,496	—	670,496	1,382,977	—	1,382,977
Advances to customers for corporate actions	22	47,633	—	47,633	189,308	—	189,308
Other loans	23	1,050,267	58,962	1,109,229	1,517,018	81,040	1,598,058
Reverse repurchase agreements	24	2,084	—	2,084	2,050	—	2,050
Accounts receivable	25	494,320	—	494,320	454,165	—	454,165
Prepayments, deposits and other receivables		96,124	—	96,124	84,577	—	84,577
Interest in an associate	26	—	1,874	1,874	—	2,430	2,430
Goodwill and other intangible assets	27	—	17,960	17,960	—	20,172	20,172
Other assets	28	—	22,811	22,811	—	21,517	21,517
Property and equipment and investment property	29	—	68,536	68,536	—	72,724	72,724
Tax recoverables		—	—	—	15,947	—	15,947
Deferred tax assets	34	—	15,214	15,214	—	15,525	15,525
TOTAL ASSETS		4,447,301	230,786	4,678,087	6,540,585	300,700	6,841,285

	Notes	As at 31 December 2022 Current HK$'000	Non-current HK$'000	Total HK$'000	As at 31 December 2021 Current HK$'000	Non-current HK$'000	Total HK$'000
LIABILITIES AND EQUITY							
Liabilities							
Bank and other borrowings	30	**905,545**	**—**	**905,545**	1,502,854	—	1,502,854
Accounts payable	31	**1,534,134**	**—**	**1,534,134**	1,541,785	—	1,541,785
Contract liabilities	32	**5,259**	**—**	**5,259**	11,004	—	11,004
Lease liabilities	33	**21,701**	**27,070**	**48,771**	33,572	13,879	47,451
Accruals and other payables		**164,036**	**—**	**164,036**	117,174	—	117,174
Tax payables		**5,744**	**—**	**5,744**	23,362	—	23,362
Deferred tax liabilities	34	**—**	**2,992**	**2,992**	—	860	860
TOTAL LIABILITIES		**2,636,419**	**30,062**	**2,666,481**	3,229,751	14,739	3,244,490
Equity							
Share capital	35			**20,657**			20,657
Reserves				**1,990,949**			3,576,138
TOTAL EQUITY				**2,011,606**			3,596,795
TOTAL LIABILITIES AND EQUITY				**4,678,087**			6,841,285
Net current assets				***1,810,882***			*3,310,834*

Approved and authorised for issue by the Board on 28 March 2023.

On behalf of the Board

LIU Hongwei
Director

Kenneth LAM Kin Hing
Director

The notes on pages 125 to 226 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Loss before tax		**(1,584,178)**	(2,199,184)
Adjustments for:			
Amortisation of other intangible assets	10	**1,644**	2,257
Changes in net assets value attributable to other holders of consolidated investment funds	6	**(5,463)**	(4,526)
Corporate guarantee	6	**85,000**	—
Depreciation of property and equipment	10	**40,296**	43,550
Dividend income	5	**(12,465)**	(23,994)
Finance costs	8	**50,355**	62,442
Net charge of ECL provisions		**916,544**	2,582,604
Interest income	5	**(269,400)**	(613,155)
Net losses on disposals of property and equipment	10	**1,502**	—
Net realised and unrealised loss/(gain) on financial assets measured at fair value through profit or loss	5	**591,215**	(9,989)
Share of result of an associate		**556**	(526)
Share of results of joint ventures		**—**	(1,552)
Operating loss before working capital changes		**(184,394)**	(162,073)
Decrease/(increase) in other assets		**3,063**	(6)
(Increase)/decrease in accounts receivable, prepayments, deposits and other receivables		**(103,227)**	121,151
Decrease/(increase) in loans to margin clients		**458,364**	(55,029)
Decrease in financial assets held for trading		**125,248**	1,042,894
Increase in financial assets not held for trading		**(176)**	(673,711)
Decrease in derivative financial instruments		**38,994**	27,980
Decrease in advances to customers for corporate actions		**39,855**	—
Increase in other loans		**(137,816)**	(122,280)
Decrease in reverse repurchase agreements		**—**	162,249
Decrease in bank balances held on behalf of clients		**55,272**	270,170
Decrease in accounts payable, contract liabilities and accruals and other payables		**(46,073)**	(400,822)
Cash generated from operations		**249,110**	210,523
Capital distribution from financial assets measured at fair value through profit or loss		**1,321**	—
Dividend received		**12,465**	23,994
Interest received		**212,250**	447,286
Income tax refund/(paid), net		**1,286**	(24,256)
Net cash generated from operating activities		**476,432**	657,547

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from investing activities			
Purchases of other intangible assets		**(79)**	(1,443)
Purchases of property and equipment		**(1,184)**	(4,112)
Acquisition of subsidiaries, net of cash acquired		**—**	41,480
Net cash (used in)/generated from investing activities		**(1,263)**	35,925
Cash flows from financing activities			
Capital element of lease rentals paid	16(b)	**(35,461)**	(35,827)
Interest element of lease rentals paid	16(b)	**(1,277)**	(2,725)
Interest paid for obligations under repurchase agreements	16(b)	**—**	(33)
Interest paid for bank and other borrowings	16(b)	**(39,721)**	(81,562)
Net repayments of bank and other borrowings	16(b)	**(606,666)**	(348,115)
Payments on redemption of shares by other holders of a consolidated investment fund	16(b)	**(1,382)**	(765)
Proceeds from shares issued to other holders of a consolidated investment fund	16(b)	**1,382**	—
Net repayment of obligations under repurchase agreements	16(b)	**—**	(1,956)
Dividend paid to the equity shareholders of the Company	14	**—**	(30,985)
Net cash used in financing activities		**(683,125)**	(501,968)
Net (decrease)/increase in cash and cash equivalents		**(207,956)**	191,504
Cash and cash equivalents at the beginning of the year		**405,290**	214,461
Effect of foreign exchange rate changes, on cash held		**(2,128)**	(675)
Cash and cash equivalents at the end of the year	16(a)	**195,206**	405,290

The notes on pages 125 to 226 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium* HK$'000	Capital redemption reserve* HK$'000	Contributed surplus* HK$'000	Exchange reserve* HK$'000	Investment revaluation reserve* HK$'000	Property revaluation reserve* HK$'000	Shareholder's contribution* HK$'000	Shares held for Share Award Scheme* HK$'000	Retained profits/ (accumulated losses)* HK$'000	Total HK$'000
At 1 January 2021	20,657	117,070	1,019	5,352,580	(393)	(16,089)	5,255	1,811	(22,798)	432,105	5,891,217
Dividend approved in respective of previous financial year	—	—	—	—	—	—	—	—	—	(30,985)	(30,985)
Transactions with equity holders	—	—	—	—	—	—	—	—	—	(30,985)	(30,985)
Net loss for the year	—	—	—	—	—	—	—	—	—	(2,260,577)	(2,260,577)
Other comprehensive income											
— Exchange gain on translation of financial statement of foreign operations	—	—	—	—	980	—	—	—	—	—	980
— Changes in the fair value of financial assets measured at fair value through other comprehensive income	—	—	—	—	—	(3,840)	—	—	—	—	(3,840)
Total comprehensive loss for year	—	—	—	—	980	(3,840)	—	—	—	(2,260,577)	(2,263,437)
As at 31 December 2021	20,657	117,070	1,019	5,352,580	587	(19,929)	5,255	1,811	(22,798)	(1,859,457)	3,596,795
At 1 January 2022	**20,657**	**117,070**	**1,019**	**5,352,580**	**587**	**(19,929)**	**5,255**	**1,811**	**(22,798)**	**(1,859,457)**	**3,596,795**
Net loss for the year	—	—	—	—	—	—	—	—	—	**(1,583,664)**	**(1,583,664)**
Other comprehensive income											
— Exchange loss on translation of financial statement of foreign operations	—	—	—	—	**(2,846)**	—	—	—	—	—	**(2,846)**
— Capital distribution from investment measured at fair value through other comprehensive income	—	—	—	—	—	**1,321**	—	—	—	—	**1,321**
Total comprehensive loss for year	—	—	—	—	**(2,846)**	**1,321**	—	—	—	**(1,583,664)**	**(1,585,189)**
As at 31 December 2022	**20,657**	**117,070**	**1,019**	**5,352,580**	**(2,259)**	**(18,608)**	**5,255**	**1,811**	**(22,798)**	**(3,443,121)**	**2,011,606**

* These reserve accounts comprise the reserves of HK$1,990,949,000 (31 December 2021: HK$3,576,138,000) in the consolidated statement of financial position as at 31 December 2022.

The notes on pages 125 to 226 form part of these financial statements.

1 GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong. The Company's shares are listed on the Stock Exchange. At 31 December 2022, the immediate holding company is Oceanwide Holdings IF, a company incorporated in the British Virgin Islands ("BVI"). Its ultimate holding company is Tohigh Holdings Co., Ltd., a company incorporated in the People's Republic of China ("PRC") and its intermediate holding company is Oceanwide Holdings Co., Ltd., a joint stock company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange. References are made to (i) the joint announcement issued by Company and Quam Tonghai Holdings Limited (the "Offeror") dated 15 September 2022 in relation to the deed of share purchase (the "Deed of Share Purchase") and the possible Offer and (ii) joint announcement issued by the Company and the Offeror dated 3 February 2023 in relation to the Completion of Deed of Share Purchase, all the conditions precedent to the Deed of Share Purchase had been fulfilled and the completion of the sale and purchase under the Deed of Share Purchase (the "Completion") took place on 3 February 2023. Upon the Completion and up to the date of annual report, a total of 4,098,510,000 Shares were transferred by Oceanwide Holdings IF to the Offeror, representing approximately 66.1% of the entire issued share capital of the Company. Upon Completion and up to date of annual report, Oceanwide Holdings IF, the former immediate holding company, hold 395,254,732 Shares, representing approximately 6.4% of the entire issued share capital of the Company. Mr. LU, the former ultimate controlling shareholder of the Company, through his controlled corporation, beneficially own approximately 6.4% of the entire issued share capital of the Company.

The Group is principally engaged in the following activities:

— corporate finance advisory and general advisory services

— fund management, discretionary portfolio management and portfolio management advisory services

— discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing, insurance broking and wealth management services

— money lending services

— financial media services

— investing and trading of various investment products

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

2.2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in an associate and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— Investment property (see note 2.12);

— financial instruments classified as financial assets at fair value through profit or loss (see note 2.15);

— financial instruments classified as financial assets at fair value through other comprehensive income (see note 2.15);

— derivative financial instruments (see note 2.15); and

— third party interests in consolidated investment funds (see note 2.21).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation (Continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

Since the second half of 2021, certain connected parties*, including the Company's immediate holding company, Oceanwide Holdings International Financial Development Co., Limited, intermediate holding company, Oceanwide Holdings Co., Ltd, and a fellow subsidiary, China Oceanwide Holdings Limited, of the Company have experienced a series of credit default events, such as debt defaults and lawsuits, which raise concerns about their liquidity and ability to refinance. The financial difficulties of these parties raised significant concerns over recoverability and/or timing of any repayments of the amounts due from them. These concerns may affect the Group's ability to raise additional funds or extend its existing bank borrowings and the Group may encounter liquidity issues when and if its creditors take extreme actions.

In light of these circumstances, certain measures have been taken to improve liquidity in 2022, such as issuing a secured private note and unsecured private notes. The Group will seek additional borrowings from banks, financial institutions, and other counterparties, including mortgage of its properties, and raise additional financing whenever necessary.

After the end of 2022, the Group has expanded its bank facility and repaid part of the outstanding borrowings. As at end of February 2023, the total borrowings has reduced to HK$755 million from HK$906 million as at 31 December 2022. The maturity date of the largest single bank loan of HK$330 million has also been extended to December 2023.

On 15 September 2022, Quam Tonghai Holdings Limited (the "Offeror"), the Oceanwide Holdings International Financial Development Co., Ltd. (the "Oceanwide Holdings IF") and the Messrs. Tsui Chi Chiu and So Kit Yee Anita of Ernst & Young Transactions Limited as joint and several receivers over the 4,098,510,000 ordinary shares (the "Sale Shares") (approximately 66.1% ownership) of the Company have entered into the deed of share purchase pursuant to which the Offeror has conditionally agreed to purchase and the Oceanwide Holdings IF has conditionally agreed to sell the Sales Shares. All the conditions precedent to the deed of share purchase had been fulfilled and the Completion took place on 3 February 2023. Immediately upon completion, the receivership over the Sale Shares was ceased and the Offeror is interested in 4,098,510,000 ordinary shares (approximately 66.1% ownership) of the Company. Mr. Lu Zhiqiang ("Mr. Lu"), the former ultimate controlling shareholder of the Company, through his controlled corporation, beneficially own approximately 6.4% ownership of the Company. The change of shareholder could remove uncertainty over the future ownership of the Company and restart the relationship with bankers for additional financing raising.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation (Continued)

In addition, the Group had net current assets of approximately HK$1,811 million and net assets of approximately HK$2,012 million as of 31 December 2022. Also, the directors have reviewed the Group's cash flow projections cover a period of not less than twelve months from the end of the reporting period. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. As such, the estimates and underlying assumptions are reviewed on an ongoing basis.

* Immediately following the completion of the sale and purchase of certain Company's shares took place on 3 February 2023, those connected parties will become former connected parties.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company transactions, balances and cash flows between group companies together with any unrealised profits arising from inter-company transaction are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest; and 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. 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 of a financial asset, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights relating to the investee (held by the Group and others) are considered. For a right to be substantive, the Group must have the practical ability to exercise that right. Control is reassessed when facts and circumstances indicate that there are changes to one or more of the elements of control.

When the Group has a less than majority of voting rights of an investee, 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 (a) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; (b) potential voting rights held by the Group, other vote holders or other parties; (c) rights arising from other contractual arrangements; and (d) 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.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Structured entities often have restricted activities and a narrow and well defined objective.

In the Company's statement of financial position, investment in subsidiaries are carried at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre- or post-acquisition profits are recognised in the Company's profit or loss.

2.5 Associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 Group or the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which the Group and other parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Associates and joint ventures (Continued)

In the consolidated financial statements, the investments in associates or joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the post-acquisition change in the Group's share of net assets and any impairment losses relating to the investments. The Group's share of the post-acquisition, post-tax results of the investees, including any impairment losses on the investments in associates or joint ventures for the period, are recognised in profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income are recognised in other comprehensive income of 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, 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.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are recognised only to the extent of unrelated investors' interests in the associates or joint ventures. The investor's share in the associate's or joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to conform the associate's or joint venture's accounting policies to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. 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 this amount is regarded as its fair value on initial recognition. 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 the interest in the associate or joint venture is included in the determination of 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.

In the Company's statement of financial position, investments in associates and joint ventures are carried at cost less impairment losses, if any. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable during the period.

2.6 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All value are rounded to the nearest thousand except where otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date translation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the foreign exchange rate at the date of the transaction.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

On disposal of a foreign operation involving loss of control over a subsidiary, joint control over a joint venture or significant influence over an associate that includes a foreign operation, the cumulative exchange differences relating to that foreign operation accumulated in exchange reserve are reclassified from equity to profit or loss as part of the gain or loss on disposal. If the Group disposes part of its interest in a subsidiary but retains control then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding value added tax or other sales tax and those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

(a) for financial advisory, financial media service, handling and custodian service fee income, depending on the nature of the services and the contract terms, advisory fees are recognised progressively over time using output method based on milestones achieved that depicts the Group's performance, or at a point in time when the advisory service is completed;

(b) for asset management fee income, it is recognised on a time-proportion basis with reference to the net asset value of the investment funds and portfolios under management;

(c) for performance fee income, it is recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant period, taking into consideration the relevant calculation basis of the investments funds and portfolios under management;

(d) for commission income from brokerage business, it is recognised on a trade date basis when the relevant transactions are executed;

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

(f) for interest income from financial assets measured at fair value through profit or loss, it is recognised as it accrues using the other method (see 2.15);

(g) for placing and underwriting commission income, they are recognised at a point in time when the obligation is completed;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Revenue and other income (Continued)

(h) for dividend income, it is recognised when the shareholders' right to receive payment has been established from unlisted investments, and the share price of the listed investments goes ex-dividend; and

(i) for realised gains and losses on financial assets measured at fair value through profit or loss, they are recognised on a trade date basis. For unrealised gains and losses on financial assets measured at fair value through profit or loss, they are recognised at the end of the reporting period on the changes in fair value. Fair value gain or loss does not include any dividend income and interest income from financial assets measured at fair value through profit or loss.

2.8 Finance cost

Finance cost incurred for the acquisition, construction or production of any qualifying asset during the period of time that is required to complete and prepare the asset for its intended use are capitalised as part of the cost of that asset. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other finance costs are expensed when incurred.

2.9 Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2.13).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (other than goodwill)

Intangible assets acquired separately or in a business combination

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is its fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses (see note 2.13).

Internally-developed intangible assets (Research and development expenditures)

Expenditures associated with research activities are expensed in profit or loss as they occur. Expenditures that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(a) demonstration of technical feasibility of the prospective product for internal use or sale;

(b) there is intention to complete the intangible asset and use or sell it;

(c) the Group's ability to use or sell the intangible asset is demonstrated;

(d) the intangible asset will generate probable economic benefits through internal use or sale;

(e) sufficient technical, financial and other resources are available for completion; and

(f) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include staff costs incurred on development activities along with an appropriate portion of relevant overheads. The expenditure of development of internally generated software, products or know-how that meet the above recognition criteria are recognised as intangible assets and are recognised initially at cost. After initial recognition, they are carried at cost less accumulated amortisation and impairment losses (see note 2.13), if any. Development expenditures not satisfying the above criteria are expensed when incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (other than goodwill) (Continued)

Amortisation of intangible assets

Amortisation of intangible assets with finite useful lives is provided on straight-line method over the estimated useful lives. The estimated useful lives of intangible assets are as follows:

Development costs	3–5 years
Film rights	Over the license periods
Mobile phone and computer applications	5 years
Corporate membership	Indefinite life

Amortisation commence when the intangible assets are available for use. The asset's amortisation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are not amortised where their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property and equipment

Property and equipment, including right-of-use assets arising from leases of underlying property and equipment, are carried at cost less any accumulated depreciation and impairment losses (see note 2.13), if any.

Depreciation on property and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Buildings	60 years
Right-of-use assets	Over the lease terms
Leasehold improvements	10 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 to 10 years
Motor vehicle	5 years

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Items may be 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. The proceeds from selling any such items and the related costs are recognised in profit or loss.

The gain or loss arising on retirement or disposal of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

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

2.12 Investment property

Investment property is property held for capital appreciation. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gain and loss arising from changes in the fair value of investment property is included in profit or loss in the period in which they arise.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-financial assets

Goodwill arising on acquisition of a subsidiary and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, and whenever there is any indication that they may be impaired. Property and equipment and interests in associates and joint ventures are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets or group of assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGU, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is allocated pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, and value in use, if determinable.

An impairment loss recognised for goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases

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

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.11 and 2.13), except for the right-of-use asset that meet the definition of investment property are carried at fair value.

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

2.14 Leases (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

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

2.15 Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms that require delivery of assets within the time frame established generally by regulation or convention in the marketplace concerned. Derecognition of financial assets occurs when, and only when, the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income; or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and it is not designated as at fair value through profit or loss:

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

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

Financial assets measured at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. On derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is reclassified to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss. The capital distribution from financial assets measured at fair value through other comprehensive income, which represents recovery of part of the investment cost, is recognised in the investment revaluation reserve, which is not reclassified to profit or loss and is reclassified to retained profits represent a recovery of part of the cost of the investment.

2.15 Financial assets (Continued)

Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets (see note 20). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss. If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Interest income on debt instruments and dividend income on equity instruments at fair value through profit or loss is recognised in profit or loss. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Derivative financial instruments

Derivative financial instruments are recognised at fair value through profit or loss. At the end of each reporting period the fair value is remeasured. The change in fair value arising from the remeasurement is recognised immediately in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Credit losses and impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, bank balances held on behalf of clients, accounts receivable, other assets, deposits and other receivables, other loans, advances to customers for corporate actions, reverse repurchase agreements, unlisted debt securities measured at amortised cost).

Financial assets measured at fair value, including units in funds, equity and debt securities measured at fair value through profit or loss, equity securities designated at fair value through other comprehensive income (non-recycling) and derivative financial assets, are not subject to the ECLs assessment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Credit losses and impairment of financial assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Impairment allowances for accounts receivable under HKFRS 15 are always measured at an amount equal to lifetime ECLs. For all other financial instruments, the Group recognises an impairment allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the impairment allowance is measured at an amount equal to lifetime ECLs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account except for other receivables. For other receivables, the Group recognises an impairment gain or loss by adjusting their carrying amounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Significant increases in credit risk (Continued)

Basis of calculation of interest income using effective interest rate method

Interest income from financial assets measured at amortised cost recognised in accordance with note 2.7 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 the amortised cost (i.e. the gross carrying amount less impairment allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income taxes

Income taxes comprise current tax and movement in deferred tax.

Current income tax assets and/or liabilities comprise those claims from or obligations to taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax assets and liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, 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.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow 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. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) the Group has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2.15.

2.18 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent that they are incremental costs directly attributable to the equity transaction.

2.19 Retirement benefit costs and short-term employee benefits

Retirement benefits

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and Mainland China, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (“MPF Scheme”). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and the relevant group companies. The retirement benefit scheme expenses charged to profit or loss represent contributions payable by the Group to the schemes.

The subsidiaries operating in Mainland China are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of the employees’ relevant income and there are no other further obligations to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Retirement benefit costs and short-term employee benefits (Continued)

Retirement benefits (Continued)

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vested fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the period by the employees and carried forward.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.20 Share-based payments

The Group operates a share award scheme for remuneration of its employees and/or consultants.

All services received in exchange for the grant of any awarded shares are measured at their fair value. These are indirectly determined by reference to the fair value of awarded shares granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received are ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the awarded shares granted vest immediately unless the expense qualifies for recognition as asset, with a corresponding increase in "Awarded share reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of awarded shares expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options and awarded shares that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of awarded shares expected to vest differs from previous estimates. 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 awarded share reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity. When the awarded shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "Shares held for Share Award Scheme", the related service costs of awarded shares vested are debited to the "Awarded share reserve", and any difference will be transferred to retained profits. Where the shares held for Share Award Schemes are revoked and the revoked shares are disposed of, the related gain or loss is transferred to retained profits.

2.21 Financial liabilities

The Group's financial liabilities include bank and other borrowings, trade and other payables and notes payable. Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for financing costs (see note 2.8 to the financial statements).

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as fair value through profit or loss if it is classified as held for trading or designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

A financial liability is derecognised when, and only when, the obligation under the financial liability is discharged or cancelled, or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amount is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial liabilities (Continued)

Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost, any difference between the initial amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Accounts payable and other payables

Accounts payable and other payables include accounts payable, accruals and other payables. They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which cases they are stated at cost.

Third party interests in consolidated investment funds

Third party interests in consolidated investment funds represents the interest redeemable by the other holders of investment funds where the Group has consolidated. The balance is a financial liability as discussed in note 4(b). The balance is initially recognised at fair value and subsequently remeasured to their fair value at the end of reporting period. The resulting gain or loss is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently measured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Warrants

The net proceeds received from the issue of warrants are recognised in warrants reserve within equity. Net proceeds received for warrants issued with notes are determined based on their relative fair value at the issue date. When the warrants are exercised, the amount recognised in warrants reserve will be transferred to share capital and share premium accounts. For warrants that are not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to retained profits.

2.23 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

(a) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services;

(b) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;

(c) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing, insurance broking and wealth management services;

(d) the interest income segment engages in money lending services and interest income arising from debt instruments measured at amortised cost;

(e) the investments segment engages in investing and trading of various investment products; and

(f) the others segment represents financial media services and other insignificant operating segments.

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. No operating segments identified have been aggregated in arriving at the reportable segments of the Group.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

(a) share of results of joint ventures and associate accounted for using the equity method;

(b) revaluation on investment property;

(c) income tax expense; and

(d) corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiaries plus certain percentages.

Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the chief operating decision maker.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the Group's parent.

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

(i) the entity and the Group are members of the same group.

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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

2.26 Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.7). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.15).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.7).

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following amendments to HKFRSs issued by HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract
- Amendments to HKFRS 3: Reference to the Conceptual Framework
- Amendments to HKFRSs: Annual Improvements to HKFRSs 2018–2020

None of these developments have had a material effect on the Group's results and financial position for the current or prior accounting periods. The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions in applying the Group's accounting policies

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

(i) Provision for impairment loss of financial assets measured at amortised cost

In determining ECLs for financial assets measured at amortised cost, the most significant judgements relate to defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. A high degree of uncertainty is involved in making estimations using assumptions that are highly subjective and very sensitive to the risk factors. Management reviews the provision on a regular basis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions in applying the Group's accounting policies (Continued)

(ii) Impairment loss of non-financial assets

At each reporting date, goodwill are tested for impairment. The Group also reviews internal and external sources of information to identify indications that any of the property and equipment, other intangible assets (including development costs), interests in joint ventures and associates may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The sources utilised to identify indications of impairment are often subjective in nature and the directors of the Group are required to use judgement in applying such information to its business. Their interpretation of such information has a direct impact on whether an impairment assessment is performed as at any given reporting date.

Determining whether an asset or a CGU is impaired requires an estimation of their recoverable amount. Depending on the assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, the Group may perform such assessment utilising internal resources or may engage external advisers in making this assessment. Regardless of the resources utilised, the Group is required to make assumptions in this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of these assets.

(iii) Fair value of financial assets in unlisted debt and equity instruments and fund investments

The investments in unlisted debt and equity instruments and fund investments that are accounted for as "financial assets measured at fair value through other comprehensive income" and "financial assets measured at fair value through profit or loss" are stated at fair value. The fair value of these financial assets is determined by using valuation techniques. Specific valuation techniques used to value these financial assets included value as reported by the fund administrators or other techniques, such as discounted cash flow analysis. The assumptions and discount rates used to prepare the cash flow analysis involve significant estimates and judgements and hence the fair value of these financial assets is subject to uncertainty. As at 31 December 2022, the carrying amount of the Group's investments in equity instruments and fund investments was approximately HK$281,710,000 (31 December 2021: HK$456,005,000) and HK$70,346,000 (31 December 2021: HK$257,095,000), respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the directors are required to make judgements, apart from those involving estimates. The judgements that have been made and can significantly affect the amounts recognised in the financial statements are discussed below:

Determination of control over an investment fund

The Group invested in certain investment funds with primary objectives for capital appreciation, investment income and selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests in these investment funds held by the Group are in the form of participating shares or interests which primarily provide the Group with the share of returns from the investment funds and underlying net assets.

These investment funds are managed by respective investment manager who has the power and authority to manage the investment funds and make investment decisions. Among those investment funds held by the Group where the Group acted as an investment manager, the Group regularly assesses and determines whether:

— the Group is acting as an agent or a principal to these investment funds;

— substantive removal rights held by other parties may remove the Group from acting as an investment manager; and

— the investment held together with its remuneration from managing these investment funds create significant exposure to variability of returns in these investment funds.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical judgement in applying the Group's accounting policies (Continued)

Determination of control over an investment fund (Continued)

When the Group assesses that the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that indicates the Group is a principal, the Group had consolidated these investment funds. The Group classifies the financial instrument as financial liability and equity in accordance with the substance of the contractual terms. With redeemability, the fund holders have the right to put their attributable shares back to the fund for cash. Puttable financial instrument is a financial liability. Third-party interests in consolidated investment funds are thus categorised as financial liability and included in "Accruals and other payables". Changes in net assets attributable to other holders of consolidated investment fund are included in "Other (loss)/income" in the consolidated statement of profit or loss and other comprehensive income. The carrying amount included in "Accruals and other payables" as at 31 December 2022 is HK$22,495,000 (31 December 2021: HK$27,958,000).

When the variable returns of these investment funds to the Group are not significant or the Group is subject to substantive removal rights held by other parties who may remove the Group as an investment manager, the Group did not consolidate these investment funds and classified them as "Financial assets measured at fair value through profit or loss" in accordance with the Group's accounting policies. Further details in respect of those investment funds in which the Group had an interest are disclosed in note 18 to these financial statements.

5 REVENUE

(a) Revenue analysis

	2022 HK$'000	2021 HK$'000
Corporate finance business		
Fee and commission income:		
— Placing and underwriting commission income	**9,597**	11,010
— Financial and compliance advisory services fee income	**9,079**	15,277
	18,676	26,287
Asset management business		
Fee and commission income:		
— Management fee and performance fee income	**11,748**	35,378
Brokerage business		
Fee and commission income:		
— Commission on dealings in securities		
— Hong Kong securities	**31,421**	62,060
— Other than Hong Kong securities	**3,065**	6,245
— Commission on dealings in futures and options contracts	**44,083**	49,533
— Handling, custodian and other service fee income	**14,260**	21,582
	92,829	139,420
Interest income business		
Interest income calculated using the effective interest method:		
— Interest income from other loans	**104,990**	363,875
— Interest income from bonds measured at amortised cost	**29,173**	64,014
— Interest income from cash clients receivables	**2,951**	2,992
— Interest income from trust bank deposits	**6,783**	2,696
— Interest income from initial public offering loans	**—**	1,393
— Interest income from house money bank deposits and others	**1,973**	5,106
Interest income calculated using other method:		
— Interest income from loans to margin clients	**122,827**	145,717
— Interest income from bonds measured at fair value through profit or loss and others	**703**	27,362
	269,400	613,155
Investments and others business		
Fee and commission income:		
— Financial media service fee income	**8,279**	9,599
Net investment (loss)/gain:		
— Net realised and unrealised (loss)/gain on financial assets measured at fair value through profit or loss	**(591,215)**	9,989
— Dividend income from financial assets measured at fair value through profit or loss	**12,465**	23,994
	(570,471)	43,582
Total revenue	**(177,818)**	857,822

5 REVENUE (CONTINUED)

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts with customers and did not disclose information about the remaining performance obligations under the contracts that had an original expected duration of one year or less.

6 OTHER (LOSS)/INCOME

	2022 HK$'000	2021 HK$'000
Changes in net asset value attributable to other holders of consolidated investment funds (note 16(b))	**5,463**	4,526
Exchange gains, net	**419**	8,280
Government subsidies (note (i))	**4,546**	825
Sundry income	**1,155**	1,479
Corporate guarantee (note (ii))	**(85,000)**	—
	(73,417)	15,110

Notes:

(i) In 2022, the Group successfully obtained funding support from the Employment Support Scheme ("E.S.S.") under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the E.S.S., the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. The Group has complied with requirement set out in the E.S.S. and there is no other unfulfilled obligation relating to the subsidy.

(ii) For details, please refer to Note 42(a)(viii).

7 SEGMENT INFORMATION

The executive directors have identified the Group's six service lines as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Corporate finance HK$'000	Asset management HK$'000	Brokerage HK$'000	Interest income HK$'000	Investments HK$'000	Others HK$'000	Total HK$'000
2022							
Reportable segment revenue							
Fee and commission income	18,676	11,748	92,829	—	—	8,279	131,532
Interest income	—	—	135,201	134,175	24	—	269,400
Net investment loss	—	—	—	—	(578,750)	—	(578,750)
Segment revenue from external customers	18,676	11,748	228,030	134,175	(578,726)	8,279	(177,818)
Inter-segment revenue	6,750	3,615	—	—	—	977	11,342
Reportable segment revenue	25,426	15,363	228,030	134,175	(578,726)	9,256	(166,476)
Fee and commission income by timing of revenue recognition:							
Point in time	9,597	—	92,829	—	—	1,667	104,093
Over time	9,079	11,748	—	—	—	6,612	27,439
Fee and commission income	18,676	11,748	92,829	—	—	8,279	131,532
Reportable segment result	(5,458)	(4,956)	22,427	(886,444)	(698,351)	(6,239)	(1,579,021)
Depreciation and amortisation	166	530	26,901	389	12,526	1,428	41,940
Changes in net assets value attributable to other holders of consolidated investment funds	—	—	—	—	5,463	—	5,463
Finance costs	—	10	7,296	37,066	5,962	21	50,355
Corporate guarantee	—	—	—	—	85,000	—	85,000
ECL net charges	78	(1)	38,750	876,626	647	444	916,544

7 SEGMENT INFORMATION (CONTINUED)

	Corporate finance HK$'000	Asset management HK$'000	Brokerage HK$'000	Interest income HK$'000	Investments HK$'000	Others HK$'000	Total HK$'000
2021							
Reportable segment revenue							
Fee and commission income	26,287	35,378	139,420	—	—	9,599	210,684
Interest income	—	—	152,925	435,790	24,440	—	613,155
Net investment gain	—	—	—	—	33,983	—	33,983
Segment revenue from external customers	26,287	35,378	292,345	435,790	58,423	9,599	857,822
Inter-segment revenue	1,300	3,690	2,032	—	—	1,594	8,616
Reportable segment revenue	27,587	39,068	294,377	435,790	58,423	11,193	866,438
Fee and commission income by timing of revenue recognition:							
Point in time	11,010	18,113	139,420	—	—	1,839	170,382
Over time	15,277	17,265	—	—	—	7,760	40,302
Fee and commission income	26,287	35,378	139,420	—	—	9,599	210,684
Reportable segment result	(6,860)	21,003	18,536	(2,230,911)	10,016	(6,246)	(2,194,462)
Depreciation and amortisation	173	721	25,924	5,157	12,444	1,388	45,807
Changes in net assets value attributable to other holders of consolidated investment funds	—	—	—	—	4,526	—	4,526
Finance costs	—	29	12,168	41,796	8,428	21	62,442
ECL net charges	(206)	(1)	12,405	2,571,610	(1,217)	13	2,582,604

7 SEGMENT INFORMATION (CONTINUED)

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2022 HK$'000	2021 HK$'000
Reportable segment revenue	**(166,476)**	866,438
Elimination of inter-segment revenue	**(11,342)**	(8,616)
Consolidated revenue	**(177,818)**	857,822
Reportable segment result	**(1,579,021)**	(2,194,462)
Share of result of an associate	**(556)**	526
Share of results of joint ventures	**—**	1,552
Unallocated corporate expenses	**(4,601)**	(6,800)
Consolidated loss before tax	**(1,584,178)**	(2,199,184)

Geographical information

The Group's operations are substantially located in Hong Kong and substantiating all assets of the Group are located in Hong Kong. Therefore, no detailed analysis of geographical information is required.

The Group's customers include the following with whom transactions have exceeded 10% of the Group's revenue (excluded investment loss/gain):

	2022 HK$'000	2021 HK$'000
Former connected parties which included the subsidiaries of Tohigh Holdings Co., Ltd., Oceanwide Holdings Co., Ltd., China Oceanwide Holdings Limited and Minyun Limited*	**50,654**	353,865

* Revenue from these parties, which are under common control of our former ultimate beneficiary shareholder, is attributable to interest income segment, asset management segment and brokerage segment during the year. Upon the completion of sale and purchase of certain Company's shares took place on 3 February 2023, those connected parties will become former connected parties.

8 FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	**25,935**	41,015
Interest on other borrowings	**23,143**	18,678
Interest on obligations under repurchase agreements	**—**	24
Interest on lease liabilities	**1,277**	2,725
	50,355	62,442

9 STAFF COSTS

	2022 HK$'000	2021 HK$'000
Directors' emoluments (note 15)		
— Fees, salaries, allowances and benefits in kind	**9,402**	9,110
— Discretionary bonuses	**1,673**	3,190
	11,075	12,300
Other staff costs		
— Salaries, allowances and bonuses	**147,053**	162,771
— Employee sales commission	**2,844**	4,953
— Retirement benefits scheme contributions	**4,429**	5,506
— Other staff benefits	**482**	648
	154,808	173,878
	165,883	186,178

10 LOSS BEFORE TAX

	2022 HK$'000	2021 HK$'000
Loss before tax is arrived at after charging:		
Depreciation and amortisation		
— Other intangible assets (note 27)	**1,644**	2,257
— Property and equipment (note 29)	**40,296**	43,550
	41,940	45,807
Other items		
— Net losses on disposals of property and equipment	**1,502**	—
— Expenses relating to short-term leases (note 16(c))	**40**	93

11 OTHER OPERATING EXPENSES

	Note	2022 HK$'000	2021 HK$'000
Advertising and promotion expenses		**1,503**	5,818
Auditor's remuneration		**2,450**	4,300
Bank charges		**1,824**	2,014
Consultancy fee		**4,165**	1,424
Entertainments		**1,426**	1,497
General office expenses		**5,899**	5,622
Insurance		**2,577**	2,943
Legal and professional fee	(a)	**16,764**	14,268
Short-term leases, rates and building management fee		**6,198**	6,824
Repairs and maintenance		**5,046**	4,707
Staff recruitment cost		**1,131**	675
Travelling and transportation expenses		**767**	1,039
Others		**4,091**	4,194
		53,841	55,325

Note:

(a) During 2022, total legal and professional fee of approximately HK$16.8 million (2021: HK$14.3 million) mainly represented HK$4.5 million (2021: HK$2.6 million) for the settlement agreement in relation to the very substantial acquisition with connected parties; HK$1.6 million (2021: Nil) for the mandatory unconditional cash offer as per the Takeovers Code for the issued Company's shares; HK$1.6 million (2021: HK$1.9 million) for tax filing and audit fee for PRC wholly foreign-owned enterprise; HK$1.1 million (2021: HK$0.1 million) for debt recovery and HK$0.7 million (2021: HK$0.2 million) for valuation services.

12 TAX (CREDIT)/EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 HK$'000	2021 HK$'000
Current tax — Hong Kong Profits Tax		
— Current year	**58**	14,014
— Over provision in prior years	**(3,015)**	(2,746)
	(2,957)	11,268
Deferred tax (note 34)	**2,443**	50,125
Total tax (credit)/expense	**(514)**	61,393

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year ended 31 December 2022, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

Taxation for subsidiaries operating in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

12 TAX (CREDIT)/EXPENSE (CONTINUED)

(b) Reconciliation between tax (credit)/expense and accounting loss at applicable tax rates:

	2022 HK$'000	2021 HK$'000
Loss before tax	**(1,584,178)**	(2,199,184)
Notional tax at Hong Kong Profits Tax rate of 8.25% on the first HK$2 million profit	**165**	165
Notional tax at Hong Kong Profits Tax rate of 16.5% on remaining loss	**(261,554)**	(363,195)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**676**	524
Tax effect of non-deductible expenses	**7,362**	11,027
Tax effect of non-taxable income	**(4,234)**	(7,002)
Tax effect of unused tax losses not recognised as deferred tax assets	**75,459**	4,380
Tax effect of prior years' unrecognised tax losses utilised this year	**(660)**	(2,089)
Tax effect of prior years' unrecognised tax losses recognised as deferred tax assets	**—**	(4,949)
Tax effect of temporary differences not recognised as deferred tax assets	**185,287**	425,278
Over provision in prior years	**(3,015)**	(2,746)
Total tax (credit)/expense	**(514)**	61,393

13 LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to equity holders of the Company is based on the followings:

Loss

	2022 HK$'000	2021 HK$'000
For purpose of calculating basic and diluted loss per share	**(1,583,664)**	(2,260,577)

Weighted average number of ordinary shares in issue less shares held for Share Award Scheme

	2022	2021
For purpose of calculating basic and diluted loss per share	**6,145,877,218**	6,145,877,218

Loss per share for net loss attributable to equity holders of the Company for the year

	2022 HK cents	2021 HK cents
Basic and diluted	**(26)**	(37)

14 DIVIDENDS

The Board resolved not to declare the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

15 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2022					
Executive Directors					
Mr. HAN Xiaosheng	—	—	—	—	—
Mr. FANG Zhou	2,952	—	—	—	2,952
Mr. LIU Hongwei	—	—	—	—	—
Mr. Kenneth LAM Kin Hing	—	5,200	1,673	—	6,873
Non-executive Directors					
Mr. LIU Bing	—	—	—	—	—
Mr. ZHAO Yingwei	—	—	—	—	—
Mr. ZHAO Xiaoxia	—	—	—	—	—
Independent Non-executive Directors					
Mr. Roy LO Wa Kei	250	—	—	—	250
Mr. KONG Aiguo	250	—	—	—	250
Mr. LIU Jipeng	250	—	—	—	250
Mr. HE Xuehui	250	—	—	—	250
Mr. HUANG Yajun	250	—	—	—	250
	4,202	5,200	1,673	—	11,075

15 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Directors' emoluments (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2021					
Executive Directors					
Mr. HAN Xiaosheng	—	—	—	—	—
Mr. FANG Zhou	2,660	—	—	—	2,660
Mr. LIU Hongwei	—	—	—	—	—
Mr. Kenneth LAM Kin Hing	—	5,200	3,190	—	8,390
Mr. ZHANG Xifang (note (i))	—	—	—	—	—
Non-executive Directors					
Mr. LIU Bing	—	—	—	—	—
Mr. ZHAO Yingwei	—	—	—	—	—
Mr. ZHAO Xiaoxia	—	—	—	—	—
Independent Non-executive Directors					
Mr. Roy LO Wa Kei	250	—	—	—	250
Mr. KONG Aiguo	250	—	—	—	250
Mr. LIU Jipeng	250	—	—	—	250
Mr. HE Xuehui	250	—	—	—	250
Mr. HUANG Yajun	250	—	—	—	250
	3,910	5,200	3,190	—	12,300

Note:

(i) resigned as an executive director with effect from 3 September 2021.

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2022 and 2021. No emolument 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.

15 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Emoluments of five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included one (2021: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2021: four) individuals during the year ended 31 December 2022 are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and allowances	14,702	14,702
Discretionary bonuses	3,588	7,655
Retirement benefits scheme contributions	72	72
	18,362	22,429

The emoluments of these remaining four (2021: four) highest paid individuals fell within the following bands:

	Number of individuals	
	2022	2021
HK$3,500,001 — HK$4,000,000	2	—
HK$4,000,001 — HK$4,500,000	—	2
HK$4,500,001 — HK$5,000,000	1	—
HK$5,000,001 — HK$5,500,000	—	—
HK$5,500,001 — HK$6,000,000	—	—
HK$6,000,001 — HK$6,500,000	1	1
HK$6,500,001 — HK$7,000,000	—	—
HK$7,000,001 — HK$7,500,000	—	—
HK$7,500,001 — HK$8,000,000	—	1
	4	4

During the years ended 31 December 2022 and 2021, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Demand deposits and cash on hand	**195,206**	405,290

Notes:

(a) Demand deposits earn interest at floating rates based on daily bank deposit rates.

(b) Included in cash and cash equivalents of the Group is Renminbi ("RMB") of HK$11,911,000 (31 December 2021: HK$53,975,000) placed with banks in Mainland China. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

(c) As at 31 December 2022, approximately HK$112,000 (31 December 2021: HK$1,934,000) of cash and cash equivalents were placed with a bank in which the ultimate controlling shareholder of the Company is also a director of its parent company.

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Third party interests in consolidated investment funds HK$'000 Note 4(b)	Obligations under repurchase agreements HK$'000	Bank and other borrowings HK$'000 Note 30	Lease liabilities HK$'000 Note 33
At 1 January 2022	27,958	—	1,502,854	47,451
Changes from financing cash flows				
— Interest paid for other borrowings	—	—	(16,355)	—
— Interest paid for bank borrowings	—	—	(23,366)	—
— Payments on redemption of shares by other holders of a consolidated investment fund	(1,382)	—	—	—
— Proceeds from shares issued to other holders of a consolidated investment fund	1,382	—	—	—
— Capital element of lease rentals paid	—	—	—	(35,461)
— Interest element of lease rentals paid	—	—	—	(1,277)
— Net proceeds from other borrowings and private notes	—	—	40,500	—
— Net repayment of bank borrowings	—	—	(647,166)	—
	—	—	(646,387)	(36,738)
Non-cash changes				
— Changes in net asset value attributable to other holders of consolidated investment funds (note 6)	(5,463)	—	—	—
— Increase in lease liabilities from entering into new leases during the year	—	—	—	36,781
— Interest on lease liabilities (note 8)	—	—	—	1,277
— Interest on other borrowings (note 8)	—	—	23,143	—
— Interest on bank borrowings (note 8)	—	—	25,935	—
	(5,463)	—	49,078	38,058
At 31 December 2022	22,495	—	905,545	48,771

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Third party interests in consolidated investment funds HK$'000 Note 4(b)	Obligations under repurchase agreements HK$'000	Bank and other borrowings HK$'000 Note 30	Lease liabilities HK$'000 Note 33
At 1 January 2021	33,251	1,965	1,872,838	80,010
Changes from financing cash flows				
— Interest paid for other borrowings	—	—	(28,841)	—
— Interest paid for bank borrowings	—	—	(52,721)	—
— Interest paid for obligations under repurchase agreements	—	(33)	—	—
— Payments on redemption of shares by other holders of consolidated investment funds	(765)	—	—	—
— Net repayment of obligations under repurchase agreements	—	(1,956)	—	—
— Capital element of lease rentals paid	—	—	—	(35,827)
— Interest element of lease rentals paid	—	—	—	(2,725)
— Net repayments of other borrowings and private notes	—	—	(44,000)	—
— Net repayment of bank borrowings	—	—	(304,115)	—
	(765)	(1,989)	(429,677)	(38,552)
Non-cash changes				
— Changes in net asset value attributable to other holders of consolidated investment funds (note 6)	(4,526)	—	—	—
— Increase in lease liabilities from entering into new leases during the year	—	—	—	3,268
— Interest on lease liabilities (note 8)	—	—	—	2,725
— Interest on obligations under repurchase agreements (note 8)	—	24	—	—
— Interest on other borrowings (note 8)	—	—	18,678	—
— Interest on bank borrowings (note 8)	—	—	41,015	—
— Exchange adjustment	(2)	—	—	—
	(4,528)	24	59,693	5,993
At 31 December 2021	27,958	—	1,502,854	47,451

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 HK$'000	2021 HK$'000
Within operating cash flows (note 10)	**40**	93
Within financing cash flows	**36,738**	38,552
	36,778	38,645

(d) Net cash inflow arising from the acquisition of subsidiaries in 2021

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiaries comprise the following:

	HK$'000
Property and equipment	4
Interest in joint venture	805
Cash and cash equivalents	56,933
Prepayments, deposits and other receivables	5,369
Accruals and other payables	(5,587)
Carrying amount of interest in joint ventures prior to becoming subsidiaries on acquisition	(42,718)
	14,806
Add: goodwill (note 27)	647
Total consideration paid in cash	15,453
Less: cash of subsidiary acquired	(56,933)
Net cash inflow of cash and cash equivalents arising from the acquisition of subsidiaries	(41,480)

17 BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of securities, futures and options dealing, it receives and holds money deposited by clients in the course of conducting its regulated activities. These client's monies are maintained in one or more segregated bank accounts and bank time deposits. The Group has recognised the corresponding accounts payable to respective clients. As at 31 December 2022, HK$72,041,000 (31 December 2021: HK$86,046,000) of trust bank balances held on behalf of clients were placed with a bank in which the ultimate controlling shareholder of the Company is also a director of the parent company of that bank.

18 FINANCIAL ASSETS HELD FOR TRADING

	Note	**As at 31 December 2022 HK$'000**	As at 31 December 2021 HK$'000
Financial assets held for trading measured at fair value through profit or loss			
Listed financial assets		**277,175**	400,204
Unlisted financial assets	(a)	**347,846**	708,890
		625,021	1,109,094
Analysis of the net amount into current and non-current portions:			
Current		**583,802**	1,026,012
Non-current		**41,219**	83,082
		625,021	1,109,094

18 FINANCIAL ASSETS HELD FOR TRADING (CONTINUED)

Note:

(a) Unlisted financial assets comprises of unlisted equity securities, unlisted mutual funds and private equity funds.

The unlisted mutual fund of which all classes of share of the Group was the investment manager was fully redeemed in early 2022. The total net asset value of the above mutual fund of which the Group is the investment manager as at 31 December 2021 is HK$75,296,000. Change in fair value of the mutual fund is included in the consolidated statement of profit or loss in "Net realised and unrealised gain/(loss) on financial assets measured at fair value through profit or loss" within "Revenue". In view of the full redemption of mutual fund incurred in early 2022, no gain/(loss) measured at fair value through profit or loss is recognised of which the Group is the investment manager (2021: a loss of HK$2,114,000).

The Group had committed to invest US$20 million in Oceanwide Pioneer Limited Partnership (the "Fund"), representing 25%* (2021: 25%*) of the aggregated capital committed by all partners in the Fund as at 31 December 2022. Following the acceptance of the subscription agreement by the general partner, the Group was admitted as a limited partner.

The Fund is a close-ended private equity fund structured as a Cayman Islands exempted limited partnership with an investment objective to achieve long-term capital appreciation through equity and equity-related investments in selected good-quality enterprises and projects as pioneers in the relevant industries. Under the subscription agreement, the limited partners do not have the power to participate in the financial and operating policy decisions of the Fund, whilst the general partner has the rights and power to administer the affairs of the Fund and include all powers statutory and otherwise, which may be possessed under the laws of Cayman Islands. Though the Group had served as an investment manager and generated management fee income from managing assets on behalf of investors, as the Group as an investment manager can be terminated without cause by the general partner, and the Group did not have any control or significant influence over the general partner, the Group did not consolidate or account for the Fund as an associate despite its equity interest of 25%* (2021: 25%*).

The Fund is controlled by the general partner, which is indirectly owned by the ultimate controlling shareholder of the Company.

Total net asset value of the above private equity fund of which the Group is the investment manager as at 31 December 2022 was HK$165,898,000 (2021: HK$333,013,000). The Group's maximum exposure to loss from its interest in the private equity fund is limited to the carrying amount presented above. As at 31 December 2022, the fair value of the Fund was HK$41,219,000 (2021: HK$83,082,000). Change in fair value of the private equity fund is included in the consolidated statement of profit or loss in "Net realised and unrealised (loss)/gain on financial assets measured at fair value through profit or loss" within "Revenue" and the amount attributable to the private equity fund of which the Group is the investment manager represented loss of HK$30,123,000 (2021: loss of HK$24,884,000).

* rounded to the nearest one percent

19 FINANCIAL ASSETS NOT HELD FOR TRADING

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Financial assets measured at amortised cost			
Unlisted debt securities		**919,538**	872,974
Less: ECL provisions	(c)	**(735,259)**	(605,362)
	(a)	**184,279**	267,612
Financial assets measured at fair value through other comprehensive income			
Unlisted equity securities	(b)	**4,210**	4,210
		188,489	271,822
Analysis of the net amount into current and non-current portions:			
Current		**184,279**	267,612
Non-current		**4,210**	4,210
		188,489	271,822

Notes:

(a) The net amount after ECL provisions of the unlisted debt securities of HK$184,279,000 (2021: HK$267,612,000) were issued by fellow subsidiaries and carry interest at 11.8% (2021: 11.8%) per annum.

19 FINANCIAL ASSETS NOT HELD FOR TRADING (CONTINUED)

Notes: (Continued)

(b) Movement of unlisted equity securities is as follows:

	McMillen Advantage Capital Limited ("MAC") (note (i)) HK$'000	Capital Financial Holding Ltd. ("CFH") HK$'000	Total HK$'000
At 1 January 2021	1,366	6,684	8,050
Fair value changes recognised in other comprehensive income	(1,366)	(2,474)	(3,840)
At 31 December 2021, 1 January 2022 and 31 December 2022	**—**	**4,210**	**4,210**

Notes:

(i) The Group had not accounted for MAC as an associate despite its ownership interest because the Group does not have any power to participate in its financial and operating policy decisions nor any right to appoint a director of MAC.

(ii) The above financial assets are unlisted equity securities which are not held for trading. Instead, they are held for medium or long-term strategic purpose. The Group has designated these investments in equity securities as at fair value through other comprehensive income as the directors believe that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value immediately in profit or loss.

(c) Movement in the ECL provisions of financial assets measured at amortised cost is as follows:

	HK$'000
At 1 January 2021	10,311
ECL charges	587,405
Unwind of discount	7,646
At 31 December 2021 and 1 January 2022	**605,362**
ECL charges	**70,508**
Unwind of discount	**59,389**
At 31 December 2022	**735,259**

The ECL charges in 2022 is less than 2021 since the increase in ECL provision rate on the financial assets in 2022 was less significant than that in 2021.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	**As at 31 December 2022 HK$'000**	As at 31 December 2021 HK$'000
Financial assets measured at fair value through profit or loss			
Total return swap	(a)	**—**	17,267

Note:

(a) Total return swap was entered into with a fellow subsidiary in June 2019 which has been expired in 2022 (2021: HK$17,267,000).

21 LOANS TO MARGIN CLIENTS

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Loans to margin clients, net amount		
— Measured at fair value through profit or loss	**670,496**	1,382,977

Note:

Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a comprehensive analysis including but not limited to loan-to-market and loan-to-marginable value ratios ("lending ratios"), concentration risk, illiquid collaterals and overall availability of funds. The Group exercises continuous monitoring on outstanding margin loans to see if the actual lending ratios have exceeded the pre-determined levels as a credit risk control mechanism. Any excess in the lending ratios will trigger a margin call where the clients have to make good the shortfall. As at 31 December 2022, the market value of securities pledged by margin clients to the Group as collateral was HK$4,848 million (31 December 2021: HK$9,570 million) and the Group is permitted to sell collaterals provided by clients if they fail to fulfil margin calls. Loans to margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread). As at 31 December 2022, the margin loan shortfall in accounting terms amounts to HK$373 million (31 December 2021: HK$119 million).

22 ADVANCES TO CUSTOMERS FOR CORPORATE ACTIONS

	Note	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Financial assets measured at amortised cost		**186,904**	226,759
Less: ECL provisions	(a)	**(139,271)**	(37,451)
		47,633	189,308
Analysis of the net amount into current and non-current portions:			
Current		**47,633**	189,308

Note:

(a) Movement in the ECL provisions of financial assets measured at amortised cost is as follows:

	HK$'000
At 1 January 2021	12,729
ECL charges	24,722
At 31 December 2021 and 1 January 2022	**37,451**
ECL charges	**101,820**
At 31 December 2022	**139,271**

The ECL charges in 2022 is greater than 2021 since the advance to customers for corporate actions reclassed from stage 1 to stage 3 during the year.

23 OTHER LOANS

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Other loans			
— Unsecured	(a)	**4,008,202**	3,773,694
— Secured	(a), (b)	**278,615**	263,867
		4,286,817	4,037,561
Less: ECL provisions	(c)	**(3,177,588)**	(2,439,503)
	(a)	**1,109,229**	1,598,058
Analysis of the net amount into current and non-current portions:			
Current		**1,050,267**	1,517,018
Non-current		**58,962**	81,040
		1,109,229	1,598,058

Notes:

(a) The loans bear interest at fixed rates ranging from 7% to 12% (31 December 2021: 6% to 12%) per annum. The net amount after ECL provisions of unsecured loans of HK$557 million (31 December 2021: HK$729 million) are due from fellow subsidiaries of our ultimate beneficiary shareholder.

(b) As at 31 December 2022 and 2021, the collaterals held by the Group for the secured loans mainly include shares and assets of private companies.

(c) Movement in the ECL provisions of other loans is as follows:

	HK$'000
At 1 January 2021	518,615
ECL charges	1,959,483
Written-off	(58,326)
Unwind of discount	19,731
At 31 December 2021 and 1 January 2022	**2,439,503**
ECL charges	**690,287**
Unwind of discount	**47,798**
At 31 December 2022	**3,177,588**

The ECL charges in 2022 is less than 2021 since the increase in ECL provision rate on the financial assets in 2022 was less significantly than that in 2021.

24 REVERSE REPURCHASE AGREEMENTS

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Analysed by collateral type:		
— Bonds	**2,114**	2,062
Less: ECL provisions	**(30)**	(12)
	2,084	2,050

Reverse repurchase agreements are transactions in which the external investors sell a security to the Group and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the consolidated financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities.

As at 31 December 2022, the fair value of the collaterals was HK$4,245,000 (31 December 2021: HK$4,865,000).

25 ACCOUNTS RECEIVABLE

	Notes	**As at 31 December 2022 HK$'000**	As at 31 December 2021 HK$'000
Accounts receivable from dealings in securities, futures and options contracts			
— Brokers and clearing houses	(a)	**468,195**	424,867
— Cash clients	(a)	**25,505**	22,094
Less: ECL provisions	(c)	**(11,927)**	(10,229)
		481,773	436,732
Accounts receivable from asset management, corporate finance and other businesses			
— Clients	(a)	**18,289**	22,689
Less: ECL provisions	(c)	**(5,742)**	(5,256)
		12,547	17,433
Accounts receivable, net	(b), (d)	**494,320**	454,165

Notes:

(a) Amounts due from brokers, clearing houses and cash clients for the dealings in securities are required to be settled on the settlement dates of their respective transactions (normally two or three business days after the respective trade dates). Amounts due from brokers and clearing houses for the dealings in futures and options contracts are repayable on demand (except for the required margin deposits for the trading of futures and options contracts). There are no credit periods granted to clients for its asset management, corporate finance and other businesses. The amounts due from cash clients after the settlement dates bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a higher spread than that of margin client).

(b) Included in accounts receivable is the following amounts with related parties:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Director of the Company	**10**	15
Fellow subsidiaries	**996**	1
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company	**—**	250
	1,006	266

25 ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

(c) Movement in the ECL provisions of accounts receivable is as follows:

	HK$'000
At 1 January 2021	18,732
ECL charges	1,252
Written-off	(4,499)
At 31 December 2021 and 1 January 2022	**15,485**
ECL charges	**2,326**
Written-off	**(142)**
At 31 December 2022	**17,669**

(d) Ageing analysis of accounts receivable based on due date and net of ECL provisions is as follows:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Within 30 days	**472,466**	434,633
31–90 days	**1,327**	7,233
Over 90 days	**20,527**	12,299
Accounts receivable, net	**494,320**	454,165

26 INTEREST IN AN ASSOCIATE

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Share of net assets	**1,874**	2,430

Particulars of an associate, which is accounted for using the equity method in the consolidated financial statements, as at 31 December 2022 are as follows:

Name	Place of incorporation	Particulars of paid-up capital	Percentage of effective interest held by the Group*	Principal activity
Iddy Financial Technologies Limited	Hong Kong	10,522 ordinary shares	23%*	Provision of IT software services

The following table illustrates the financial information of the Group's associate, extracted from their unaudited management accounts and reconciliation to the carrying amount recognised in the consolidated statement of financial position:

	2022 HK$'000	2021 HK$'000
Revenue, excluding other revenue	**7,150**	3,545
Other operating expenses	**(9,781)**	(6,338)
Loss from continuing operations and total comprehensive loss for the year	**(2,631)**	(2,793)

* rounded to the nearest one percent

26 INTEREST IN AN ASSOCIATE (CONTINUED)

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Current assets	**9,629**	8,602
Non-current assets	**399**	376
Current liabilities	**(8,959)**	(5,458)
Net assets	**1,069**	3,520
Percentage of effective interests held by the Group*	**23%**	23%
Group's share of net assets of an associate	**243**	799
Goodwill	**1,631**	1,631
Carrying amount recognised in the consolidated statement of financial position	**1,874**	2,430

No dividend was received from an associate during the current year and previous year. The above associate also did not have any financial liabilities other than account and other payables as at 31 December 2022 and 31 December 2021 and did not incur any interest and tax expenses for the current year.

* rounded to the nearest one percent

27 GOODWILL AND OTHER INTANGIBLE ASSETS

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Goodwill	**14,695**	15,342
Other intangible assets	**3,265**	4,830
	17,960	20,172

Goodwill

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
At the beginning and the end of the year		
Gross carrying amount	**15,385**	14,738
Acquisition of subsidiaries (note (i)) (note 16(d))	**—**	647
Accumulated impairment	**(690)**	(43)
Net carrying amount (note (ii))	**14,695**	15,342

Notes:

(i) On 3 and 6 December 2021, the Group entered into two sale and purchase agreements to acquire 27% and 26.76% of equity interest in the existing joint venture, Suzhou Gaohua Venture Investment Management Ltd. ("SGVIM") and Suzhou QUAM-SND Venture Capital Enterprise ("SQVCE") for a total cash consideration of HK$15,453,000. The Group's interests increased to 100% after acquisition and SGVIM and SQVCE became the subsidiaries of the Group. The acquisition was completed in December 2021 and goodwill arising from the acquisition of the subsidiaries was HK$647,000. An impairment loss of goodwill of approximately HK$647,000 was made for the year ended 31 December 2022 (2021: Nil).

The principal activities of SGVIM and SQVCE is financial advisory consultancy. Further details of total cash flow and the net assets acquired are set out in the Company's consolidated cash flow statement and note 16(d).

(ii) The net carrying amount of goodwill of HK$14,695,000 (2021: HK$14,695,000) relates to the CGU which is principally engaged in the dealing services for securities, futures and options contracts and the securities placing and underwriting services. For the purpose of the annual impairment testing, the recoverable amount was determined based on value-in-use, using a discounted cash flows projection, covering a detailed five-year budget plan with a post-tax discount rate of 8.43% (2021: 9.09%).

The key assumptions used in the budget plan are:

(a) revenue will be maintained at its current level throughout the five-year budget plan to financial year 2027; and

(b) gross margin will be maintained at its current level throughout the five-year budget plan.

The key assumptions have been determined based on past performance and its expectations for the market's development. The discount rate used reflects specific risks relating to the relevant businesses. Based on the above key assumptions and detailed five-year budget plan, the Group's management concluded there was no impairment to goodwill as the carrying amount of the CGU did not exceed its recoverable amount.

The Group's management is currently not aware of any foreseeable change in the above key assumptions on which the recoverable amount is based would cause the carrying amount of the CGU to exceed its recoverable amount.

27 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Other intangible assets

	Development costs HK$'000	Film rights HK$'000	Mobile phone and computer applications HK$'000	Corporate membership HK$'000	Total HK$'000
At 1 January 2021					
Cost	12,867	1,774	2,665	280	17,586
Accumulated amortisation	(11,236)	(1,772)	(1,491)	—	(14,499)
Net carrying amount	1,631	2	1,174	280	3,087
Year ended 31 December 2021					
Opening net carrying amount	1,631	2	1,174	280	3,087
Additions	4,000	—	—	—	4,000
Amortisation	(1,832)	(2)	(423)	—	(2,257)
Closing net carrying amount	3,799	—	751	280	4,830
At 31 December 2021					
Cost	16,867	1,774	2,665	280	21,586
Accumulated amortisation	(13,068)	(1,774)	(1,914)	—	(16,756)
Net carrying amount	3,799	—	751	280	4,830
Year ended 31 December 2022					
Opening net carrying amount	**3,799**	**—**	**751**	**280**	**4,830**
Additions	**79**	**—**	**—**	**—**	**79**
Amortisation	**(1,257)**	**—**	**(387)**	**—**	**(1,644)**
Closing net carrying amount	**2,621**	**—**	**364**	**280**	**3,265**
At 31 December 2022					
Cost	**16,946**	**1,774**	**2,665**	**280**	**21,665**
Accumulated amortisation	**(14,325)**	**(1,774)**	**(2,301)**	**—**	**(18,400)**
Net carrying amount	**2,621**	**—**	**364**	**280**	**3,265**

Development costs represent the in-house developed securities, futures and options settlement systems; an online trading platform and a website and mobile application developed by an associate company. Trading rights represent the eligibility rights acquired to trade on or through the Stock Exchange and Hong Kong Futures Exchange Limited. Mobile phone and computer applications represent the customer service platform purchased from independent application solution providers. All amortisation is included in "depreciation and amortisation" in the consolidated statement of profit or loss.

28 OTHER ASSETS

Other assets mainly comprise long-term deposits for property and equipment, rental deposits and deposits with the Stock Exchange and clearing houses.

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Deposits with exchange and clearing houses	**6,934**	13,151
Other deposits	**15,877**	8,366
	22,811	21,517

29 PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

	Property and equipment							
	Land and buildings HK$'000	Right-of-use assets HK$'000 (Note a)	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Subtotal HK$'000	Investment property HK$'000	Total HK$'000
At 1 January 2021								
Cost	—	137,280	20,040	45,042	604	202,966	—	202,966
Valuation	—	—	—	—	—	—	9,600	9,600
Accumulated depreciation	—	(62,017)	(12,742)	(28,855)	(232)	(103,846)	—	(103,846)
Net carrying amount	—	75,263	7,298	16,187	372	99,120	9,600	108,720
For the year ended 31 December 2021								
Opening net carrying amount	—	75,263	7,298	16,187	372	99,120	9,600	108,720
Additions	—	3,268	1,323	2,789	—	7,380	—	7,380
Transfer (note b)	9,600	—	—	—	—	9,600	(9,600)	—
Acquisition of subsidiaries	—	—	—	4	—	4	—	4
Depreciation	(267)	(34,707)	(2,923)	(5,533)	(120)	(43,550)	—	(43,550)
Translation Difference	—	111	3	56	—	170	—	170
Closing net carrying amount	9,333	43,935	5,701	13,503	252	72,724	—	72,724
As at 31 December 2021								
Cost	9,600	140,245	21,369	47,927	604	219,745	—	219,745
Accumulated depreciation	(267)	(96,310)	(15,668)	(34,424)	(352)	(147,021)	—	(147,021)
Net carrying amount	9,333	43,935	5,701	13,503	252	72,724	—	72,724
For the year ended 31 December 2022								
Opening net carrying amount	**9,333**	**43,935**	**5,701**	**13,503**	**252**	**72,724**	**—**	**72,724**
Additions	**—**	**36,781**	**639**	**545**	**—**	**37,965**	**—**	**37,965**
Disposal	**—**	**—**	**(982)**	**(520)**	**—**	**(1,502)**	**—**	**(1,502)**
Depreciation	**(266)**	**(31,683)**	**(2,942)**	**(5,284)**	**(121)**	**(40,296)**	**—**	**(40,296)**
Translation Difference	**—**	**(241)**	**8**	**(122)**	**—**	**(355)**	**—**	**(355)**
Closing net carrying amount	**9,067**	**48,792**	**2,424**	**8,122**	**131**	**68,536**	**—**	**68,536**
As at 31 December 2022								
Cost	**9,600**	**170,476**	**20,584**	**44,194**	**604**	**245,458**	**—**	**245,458**
Accumulated depreciation	**(533)**	**(121,684)**	**(18,160)**	**(36,072)**	**(473)**	**(176,922)**	**—**	**(176,922)**
Net carrying amount	**9,067**	**48,792**	**2,424**	**8,122**	**131**	**68,536**	**—**	**68,536**

29 PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY (CONTINUED)

Notes:

(a) During the year, additions to right-of-use assets were HK$36,781,000 (2021: HK$3,268,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements. Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 16 and 33, respectively.

The Group has obtained the right to use the properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 3 years. Lease payments are usually increased every 3 years to reflect market rentals.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

As at 31 December 2022 and 2021, the future lease payments during the extension periods are not included in the measurement of lease liabilities as the Group is not reasonably certain to exercise the extension options.

(b) Investment property with a carrying amount of HK$$9,600,000 was transferred to land and buildings during the year 2021.

30 BANK AND OTHER BORROWINGS

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Bank loans			
— Secured	(a), (b)	**543,075**	1,186,952
Other borrowings			
— Secured	(c)	**238,309**	232,176
— Unsecured	(d)	**124,161**	83,726
		905,545	1,502,854

30 BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) Bank loans of HK$205,927,000 (31 December 2021: HK$779,578,000) were guaranteed by the Company and secured by securities collateral pledged to the Group by margin clients of the Group with market value of HK$529,139,000 (31 December 2021: HK$1,924,198,000), and bear interest at floating rates ranging from 5.44% to 6.04% (31 December 2021: 1.70% to 2.30%) per annum. Specific standing authority have been obtained by the Group from the margin clients for such use over the clients' securities.

(b) Bank loans of HK$337,148,000 (31 December 2021: HK$407,374,000) were borrowed from a bank were secured by listed equity securities, private equity fund and bank deposits with total carrying amounts of HK$318,728,000 as at 31 December 2022 (31 December 2021: HK$779,301,000). These bank loans were also guaranteed by the ultimate controlling shareholder and a wholly-owned subsidiary of the Company and bear interest at a floating rate of HIBOR+3% (31 December 2021: HIBOR+3%) per annum. On 30 December 2022, the repayment date of the outstanding balance under the extended banking facility had been extended to 31 March 2023.

In March 2023, the Company extended this banking facility with the principal amount of HK$330,000,000 till the end of 2023.

(c) Several notes of HK$232,297,000 (31 December 2021: HK$232,176,000) were secured by the listed equity securities at carrying amounts of HK$113,608,000 (31 December 2021: HK$172,728,000) and bear interest at a fixed rate of 5.00% per annum. The other borrowings of HK$6,012,000 (31 December 2021: Nil) were secured by an apartment at net carrying amounts of HK$9,067,000 (31 December 2021: HK$9,333,000) and bear interest at a floating rate of 11.03% (31 December 2021: N/A) per annum.

(d) Several notes of HK$124,161,000 (31 December 2021: HK$83,726,000) bear interest at fixed rates ranging from 7.8% to 9.5% (31 December 2021: 7.50% to 9.50% per annum). As at 31 December 2022, a note with principal and accrued interest in aggregate of approximately HK$57,464,000 was owed to a subsidiary of Oceanwide Holdings.

31 ACCOUNTS PAYABLE

	Notes	**As at 31 December 2022 HK$'000**	As at 31 December 2021 HK$'000
Accounts payable from dealings in securities, futures and options contracts			
— Brokers and clearing houses	(a)	**4,485**	39,188
— Cash and margin clients	(a)	**1,526,761**	1,495,810
Accounts payable from other businesses			
— Clients		**2,888**	6,787
	(b), (c)	**1,534,134**	1,541,785

31 ACCOUNTS PAYABLE (CONTINUED)

Notes:

(a) Accounts payable to brokers, clearing houses and cash clients are repayable on demand up to the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) except for the required margin deposits received from clients for their trading of futures and options contracts. Accounts payable to margin clients are repayable on demand.

(b) No ageing analysis in respect of accounts payable is disclosed as, in the opinion of the Board, the ageing analysis does not give additional value in view of the business nature.

(c) Included in accounts payable were the following amounts with related parties:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Directors of the Company	**5,011**	2,158
Close family members of directors of the Company	**108**	115
Fellow subsidiaries	**1,076**	494
	6,195	2,767

32 CONTRACT LIABILITIES

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Contract liabilities	**5,259**	11,004

32 CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities

	HK$'000
Balance at 1 January 2021	5,864
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(4,898)
Increase in contract liabilities as a result of advance consideration received from corporate finance contracts	3,293
Increase in contract liabilities as a result of advance consideration received from other contracts	6,745
Balance at 31 December 2021 and 1 January 2022	**11,004**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(9,152)**
Increase in contract liabilities as a result of advance consideration received from corporate finance contracts	**1,043**
Increase in contract liabilities as a result of advance consideration received from other contracts	**2,364**
Balance at 31 December 2022	**5,259**

33 LEASE LIABILITIES

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Within 1 year	**21,701**	33,572
After 1 year but within 2 years	**13,617**	13,478
After 2 years but within 5 years	**13,453**	401
	27,070	13,879
	48,771	47,451

34 DEFERRED TAX

(a) Deferred tax assets and (liabilities) recognised

	Accelerated tax depreciation allowances HK$'000	Impairment of receivables HK$'000	Tax losses HK$'000	Changes in fair value of financial assets measured at fair value through profit or loss HK$'000	Total HK$'000
At 1 January 2021	(1,602)	54,047	5,131	7,214	64,790
(Debited)/Credited to profit or loss (note 12)	181	(30,827)	3,811	(23,290)	(50,125)
At 31 December 2021 and 1 January 2022	**(1,421)**	**23,220**	**8,942**	**(16,076)**	**14,665**
(Debited)/Credited to profit or loss (note 12)	**1,151**	**(22,401)**	**(8,777)**	**27,584**	**(2,443)**
At 31 December 2022	**(270)**	**819**	**165**	**11,508**	**12,222**

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

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Deferred tax assets	**15,214**	15,525
Deferred tax liabilities	**(2,992)**	(860)
	12,222	14,665

34 DEFERRED TAX (CONTINUED)

(b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$575,235,000 (31 December 2021: HK$102,124,000) due to unpredictable profit streams. The tax losses do not expire under current tax legislation.

The Group has not recognised deferred tax assets in respect of temporary differences of ECL provisions of HK$1,450,779,000 (31 December 2021: HK$2,452,529,000) as the Group is not able to control the timing of the reversal of the temporary differences and it is not probable to have sufficient taxable profit in foreseeable future.

(c) Deferred tax liabilities not recognised

As at 31 December 2022, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$175,000 (31 December 2021: HK$304,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

35 SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each	HK$'000
Authorised		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**30,000,000,000**	**100,000**
Issued and fully paid		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**6,197,049,220**	**20,657**

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE AWARD SCHEME

A restricted share award scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognise and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. The maximum number of awarded shares which may be granted to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the date of its adoption. Any grant of the awarded shares to any directors or senior management of the Company must first be approved by the remuneration committee of the Company.

Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew the Share Award Scheme up to three times and each time for another 5-year terms.

Movement in the number of shares held for Share Award Scheme and the awarded shares of the Company are as follows:

	Number of shares held for Share Award Scheme	Number of awarded shares
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**51,172,002**	**—**

Pursuant to the Share Award Scheme, if there occurs an event of change in control of the Company, all the awarded shares shall immediately vest on the date when such change of control event becomes or is declared unconditional and such date shall be deemed the vesting date. Upon the change of the controlling shareholders as disclosed in the Company's announcement dated 26 January 2017, any unvested awarded shares at that date were vested.

As at 31 December 2022, Nil (31 December 2021: Nil) forfeited shares and Nil (31 December 2021: Nil) newly purchased shares were held by the trustee under the Share Award Scheme and would be re-granted to eligible employees in future.

During the years ended 31 December 2022 and 2021, no share awards expense was recognised as no awarded shares were vested during the year.

37 NATURE AND PURPOSE OF RESERVES

(a) Share premium and contributed surplus

Under the Bermuda Companies Act 1981, when the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to the share premium account.

The Group's contributed surplus as at 31 December 2022 comprises (a) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof of HK$2,225,000 (2021:HK$2,225,000), and (b) amounts of HK$5,350,355,000 (2021: HK$5,350,355,000) transferred from share capital and share premium account less amounts distributed as dividends in prior years.

(b) Capital redemption reserve

The capital redemption reserve represents the nominal amount of the shares repurchased.

(c) Exchange reserve

The exchange reserve mainly comprises the foreign exchange differences arising from the translation of the financial statements of foreign operations, joint ventures and associates and the share of reserves of joint ventures and associates.

(d) Investment revaluation reserve (non-recycling)

The investment revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income under HKFRS 9 held at the end of the reporting period (see note 2.15).

(e) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property and equipment which becomes an investment property because its use has changed as evidenced by end of owner-occupation in note 2.11.

The property revaluation reserve of the Company is distributable to the extent of HK$5,255,000 (31 December 2021: HK$5,255,000).

(f) Shareholder's contribution

The shareholder's contribution represents contribution made by shareholders.

(g) Shares held for Share Award Scheme

The Shares held for Share Award Scheme have been set up and are dealt with in accordance with the accounting policies adopted for issue of share award respectively in note 2.20.

38 LOANS TO DIRECTORS

Loans to directors disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name/Relationship with directors	**Notes**	**At 31 December 2022 HK$'000**	**Maximum outstanding during the year HK$'000**	**At 1 January 2022 HK$'000**	**Margin finance facilities approved HK$'000**	**Securities held**
Mr. Kenneth LAM Kin Hing	(a)	**—**	**—**	**—**	**69,300**	Marketable securities
Mr. LIU Jipeng	(a)	**14,006**	**23,010**	**22,266**	**30,000**	Marketable securities

Name/Relationship with directors	Notes	At 31 December 2021 HK$'000	Maximum outstanding during the year HK$'000	At 1 January 2021 HK$'000	Margin finance facilities approved HK$'000	Securities held
Mr. Kenneth LAM Kin Hing	(a)	—	1,647	—	69,300	Marketable securities
Mr. LIU Jipeng	(a)	22,266	26,293	23,039	30,000	Marketable securities

Note:

(a) The loans granted under margin finance facilities to two (2021: two) directors of the Company are secured by marketable securities collateral, bear interest at Hong Kong Dollar Prime Rate plus a spread and repayable on demand. The margin loans are measured at fair value through profit or loss, no fair value loss was incurred in respect of these loans during the years ended 31 December 2022 and 2021.

39 COMMITMENTS

Capital commitments

At the reporting date, the Group had the following capital commitments which were contracted, but not provided for:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Capital contributions payable to a private equity fund	**2,612**	18
Property and equipment	**12,174**	2,014
	14,786	2,032

Loan commitment

At the reporting date, the Group had the following contractual amounts of loan commitment:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Other loan commitment (Note)	**12,000**	107,000

Note: As at 31 December 2022, the Group agreed to make available to the borrower secured loan facilities of a maximum amount up to HK$25,000,000 for the payment of professional fee incurred for the purpose of the initial public offering.

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties and connected persons during the current and previous years:

	2022 HK$'000	2021 HK$'000
Part I. Continuing connected transactions with China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group		
(A) Service transactions (note (a), (c))		
Income from service transactions provided to:		
China Oceanwide Group		
— Interest income from financial assistance	**1,362**	57,733
Oceanwide Holdings Group		
— Asset management fee income	**504**	622
— Interest income from financial assistance, including unwind of discount	**111,077**	170,835
— Performance fee income	**—**	8,345
— Reversal of performance fee income	**(1,590)**	—
Tohigh Group		
— Advisory fee income	**5**	982
— Asset management fee income	**4,511**	6,032
— Handling fee income	**60**	—
— Income from derivative financial instruments	**287**	3,618
— Interest income from financial assistance	**27,805**	119,692
— Interest income from margin financing	**2,222**	2,861
	146,243	370,720
Expenses for service transactions provided by:		
Oceanwide Holdings Group		
— Advisory fee expense	**—**	248
— Over-provision of advisory fee	**(2)**	—
— Interest expense from financial assistance	**5,808**	4,737
— Rebate of asset management fee income	**83**	496
— Research fee expense	**—**	16
Tohigh Group		
— Advertising and marketing expenses	**—**	2,900
— Advisory fee expenses	**2,256**	2,963
— Interest expense from financial assistance	**—**	92
	8,145	11,452

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2022 HK$'000	2021 HK$'000
(B) Investment and lending transactions (note (a))		
Maximum daily outstanding balance from investment and lending transactions provided to:		
China Oceanwide Group		
— Financial assistance	**480,000**	480,000
Oceanwide Holdings Group		
— Financial assistance	**1,499,540**	1,494,359
Tohigh Group		
— Financial assistance	**1,187,385**	1,198,241
	3,166,925	3,172,600
Maximum daily outstanding balance from investment and lending transactions provided by:		
Oceanwide Holdings Group		
— Financial assistance	**50,000**	50,000
Tohigh Group		
— Financial assistance	**—**	30,000
	50,000	80,000

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2022 HK$'000	2021 HK$'000
Part II. Continuing connected transactions from brokerage and interest income business		
(A) Connected dealings services to connected persons (note (b), (c))		
Directors of the Company		
— Commission income from securities and futures dealings	**30**	117
— Interest income from margin financing	**1,620**	1,895
Close family members of directors of the Company		
— Commission income from securities and futures dealings	**—**	15
Directors of subsidiaries and their close family members and company owned by a director of subsidiary		
— Commission income from securities and futures dealings	**12**	52
— Interest income from margin financing	**87**	174
	1,749	2,253
(B) Connected margin loans to connected persons (note (b))		
Connected persons		
— Maximum daily outstanding balance of connected margin loans	**30,376**	39,086

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2022 HK$'000	2021 HK$'000
Part III. Other related party transactions		
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Interest income (note (d))	**139**	210
Fellow subsidiaries		
— Service Fee Income	**154**	—
Associate		
— Advertising income	**—**	5
Director of the Company		
— Asset management fee income	**45**	70
	338	285

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

	2022 HK$'000	2021 HK$'000
Related companies — Companies in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Custodian fee	**210**	159
— Interest expense (note (e))	**12,951**	21,579
Intermediate holding company		
— Rental expenses	**308**	557
Fellow subsidiaries		
— Insurance expense	**1,292**	1,600
— Rental expenses	**356**	316
Director of the Company		
— Interest expense	**146**	227
— Motor vehicle expenses	**7**	—
Close family members of directors of the Company		
— Interest expense	**—**	3
Key management personnel		
— Interest expense	**275**	215
Associate		
— Articles fee	**14**	61
— Consultancy fee	**750**	1,200
— Repair and maintenance	**—**	200
	16,309	26,117

	2022 HK$'000	2021 HK$'000
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Prepayments, deposits and other receivables	**1**	1
Fellow subsidiaries		
— Prepayments, deposits and other receivables	**264**	211
Associate		
— Prepayments, deposits and other receivables	**1,343**	1,343

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

Notes:

(a) The income and expense arising from connected transactions with China Oceanwide Group*, Oceanwide Holdings Group* and Tohigh Group* were charged based on the respective framework services agreement. Details of the annual caps of these income and expense and the maximum daily outstanding balances were set out in the Company's circulars dated 24 September 2019 and 28 January 2021. These transactions have been approved in the special general meeting held on 11 October 2019 and 26 February 2021.

* China Oceanwide Group includes China Oceanwide Holdings Limited and its subsidiaries. Oceanwide Holdings Group includes Oceanwide Holdings Co., Ltd. and its subsidiaries, which excludes China Oceanwide Group and the Group. Tohigh Group includes Tohigh Holdings Co., Ltd. and its subsidiaries, which excludes China Oceanwide Group, Oceanwide Holdings Group and the Group. The definitions of China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group were set out in the Company's circulars dated 24 September 2019 and 28 January 2021.

(b) The income from connected transactions with directors of the Company and the subsidiaries and their close family members was based on the pricing stated in the letters stipulating the applicable service fees and interest rate for dealing services. Details of the annual caps of the connected dealings services and connected margin loans were set out in the Company's circulars dated 20 February 2019. These transactions have been approved in the special general meeting held on 8 March 2019.

(c) The transactions are also related party transactions under HKAS 24 (Revised) — Related Party Disclosures.

(d) Interest income of HK$139,000 (31 December 2021: HK$210,000) received/receivable from a related company was in connection with demand and time deposits maintained with it during the year. The carrying amount of deposits with this entity as at 31 December 2022 amounted to HK$112,000 (31 December 2021: HK$1,934,000) and was included under "Cash and cash equivalents" (note 16). The deposits are unsecured, interest-bearing at relevant deposit rates and are repayable on demand.

(e) Interest expense of HK$12,951,000 (31 December 2021: HK$21,579,000) paid/payable to a related company was in connection with the loans granted by it during the year. The carrying amount of loans with this entity as at 31 December 2022 amounted to HK$337,148,000 (31 December 2021: HK$407,374,000) and was included under "Bank and other borrowings" (note 30).

(f) As at 31 December 2022, the ECL provision on amounts due from certain related parties, including China Oceanwide Group, Oceanwide Holding Group and Tohigh Group, was HK$2,808,971,000 (2021: HK$2,434,256,000). The ECL charged to profit or loss during the year was HK$374,715,000 (2021: HK$2,316,232,000).

40 RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (CONTINUED)

Except as disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted at any time during financial year.

Compensation of key management personnel

Included in staff costs (note 9) are key management personnel compensation and comprises the following categories:

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	**22,909**	27,679
Post-employment benefits	**54**	54
	22,963	27,733

Note: Key management personnel consists of the directors of the Company and senior management.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debt and equity investments, other loans, accounts and other receivables, accounts and other payables and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Foreign currency risk

Foreign currency risk is the risk of losses due to adverse changes in foreign exchange rates mainly relating to receivables from or payables to clients and foreign brokers and foreign currency denominated investments as well as deposits with banks and borrowings from other financial institutions. To mitigate the foreign currency risk, treasury and settlement divisions work closely to manage and monitor the foreign exchange exposure arising from broking in foreign shares and commodities. The policies to manage foreign currency risk have been followed by the Group since prior periods and are considered to be effective.

The following table summarises the Group's major financial assets and liabilities denominated in currencies other than the functional currency of the entities to which they relate, as at 31 December 2022 and 31 December 2021.

	Express in HK$'000									
	Thai Baht ("THB")	United States dollars ("US$")	Japanese Yen ("JPY")	Singapore dollars ("SGD")	Renminbi ("RMB")	British Pound ("GBP")	Euros ("EUR")	Australian Dollar ("AUD")	Others	Total
At 31 December 2022										
Financial assets not held for trading	—	184,279	4,210	—	—	—	—	—	—	188,489
Other assets	—	—	—	—	476	—	—	—	—	476
Financial assets held for trading	—	475	—	—	—	—	—	—	—	475
Reverse repurchase agreements	—	2,084	—	—	—	—	—	—	—	2,084
Accounts receivable	3	264,927	501	72	5,771	29	10	15	1,143	272,471
Prepayments, deposits and other receivables	—	604	—	—	5,604	—	—	37,530	—	43,738
Bank balances held on behalf of clients	39,008	210,178	3,387	60	42,162	1,251	33	44	282	296,405
Cash and cash equivalents	798	38,240	4,536	469	11,737	656	286	290	444	57,456
Accounts payable	(39,008)	(417,150)	(3,784)	(60)	(47,267)	(1,247)	(42)	(44)	(1,247)	(509,849)
Accruals and other payables	—	(23,708)	—	(19)	(7,987)	—	(1)	—	—	(31,715)
Overall net exposure	801	259,929	8,850	522	10,496	689	286	37,835	622	320,030

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(a) Foreign currency risk (Continued)

Express in HK$'000

	Thai Baht ("THB")	United States dollars ("US$")	Japanese Yen ("JPY")	Singapore dollars ("SGD")	Renminbi ("RMB")	British Pound ("GBP")	Euros ("EUR")	Australian Dollar ("AUD")	Others	Total
At 31 December 2021										
Financial assets not held for trading	—	267,612	4,210	—	—	—	—	—	—	271,822
Other assets	—	—	—	—	939	—	—	—	—	939
Financial assets held for trading	—	826,433	—	—	—	—	—	23,272	—	849,705
Reverse repurchase agreements	—	2,050	—	—	—	—	—	—	—	2,050
Accounts receivable	1	163,446	2,511	137	15,107	13	20	36	791	182,062
Prepayments, deposits and other receivables	—	1,407	—	—	855	—	—	—	—	2,262
Bank balances held on behalf of clients	1,070	232,703	1,971	187	42,353	342	56	73	170	278,925
Cash and cash equivalents	388	39,225	1,677	85	53,975	1,659	1,308	1,180	2,694	102,191
Accounts payable	(1,070)	(360,335)	(3,889)	(187)	(91,339)	(342)	(75)	(73)	(1,755)	(459,065)
Accruals and other payables	—	(29,113)	—	(18)	(2,531)	—	(28)	—	—	(31,690)
Overall net exposure	389	1,143,428	6,480	204	19,359	1,672	1,281	24,488	1,900	1,199,201

The following table indicates the approximate changes in the Group's profit or loss for the year ended 31 December 2022 and equity in response to reasonably possible changes in foreign exchange rates to which the Group has significant exposure as at the reporting date. A positive number below indicates an increase in profit or a decrease in loss for the year ended 31 December 2022 (and an increase in equity). For a decrease in profit or an increase in loss for the year ended 31 December 2022 (and decrease in equity), the balances below would be negative. As US$ is pegged to HK$, the Group does not expect any significant changes in US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US$ is disclosed as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant change in the US$/HK$ exchange rates as at the reporting date.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(a) Foreign currency risk (Continued)

	Increase in foreign exchange rates		Effect on profit or loss		Effect on equity	
	As at 31 December 2022 %	As at 31 December 2021 %	**As at 31 December 2022 HK$'000**	As at 31 December 2021 HK$'000	**As at 31 December 2022 HK$'000**	As at 31 December 2021 HK$'000
THB	**5**	5	**40**	19	**40**	19
JPY	**5**	5	**232**	114	**443**	324
SGD	**5**	5	**26**	10	**26**	10
RMB	**5**	5	**525**	968	**525**	968
GBP	**5**	5	**34**	84	**34**	84
EUR	**5**	5	**14**	64	**14**	64
AUD	**5**	5	**1,892**	1,224	**1,892**	1,224

Decrease in the above foreign exchange rates at each reporting date would have the equal but opposite effect to the amounts shown above, on the basis that all other variables were held constant.

The sensitivity analysis has been determined by assuming that the changes in foreign exchange rates had occurred at the reporting date and that all other variables were held constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(b) Price risk

The Group is exposed to equity price risk through its investments in listed debt and equity securities which are classified as financial assets measured at fair value through profit or loss. The directors manage this risk exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise if necessary. The policies to manage price risk have been followed by the Group since prior periods and are considered to be effective. The Group is not exposed to commodity price risk.

As at 31 December 2022, if debt and equity prices had increased/(decreased) by 10% (31 December 2021: 10%) and all other variables were held constant, profit for the year would increase/(decrease) by approximately HK$27,718,000 (2021: HK$40,020,000) and the equity other than retained profits would remain unchanged (31 December 2021: unchanged).

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(b) Price risk (Continued)

The sensitivity analysis has been determined by assuming that the price change had occurred at the reporting date and has been applied to the Group's investments at that date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(c) Interest rate risk

The Group is exposed to interest rate risk primarily through the impact of interest rate changes on cash and cash equivalents, bank balances held on behalf of clients, margin loans and cash client receivables and bank and other borrowings carrying interests at variable rates.

The following table illustrates the sensitivity of the profit/(loss) for the year to a change in interest rates of +1% and –1% (31 December 2021: +1% and –1%). The calculations are based on the Group's bank balances, loans to margin clients and accounts receivable and bank and other borrowings held at each reporting date. All other variables are held constant. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
If interest rates were 1% (31 December 2021: 1%) higher		
Increase in profit for the year	**8,831**	7,589
If interest rates were 1% (31 December 2021: 1%) lower		
Decrease in profit for the year	**(8,831)**	(7,589)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group's credit risk is primarily attributable to accounts receivable, other loans, advances to customers for corporate actions and unlisted debt securities measured at amortised cost arising when the debtors, including brokers and clients from money lending services, fail to perform their obligations as at the reporting date. The Group's exposure to credit risk arising from cash and cash equivalents and bank balances held on behalf of clients is limited because the counterparties are banks and financial institution with a credit rating, for which the Group considers to have low credit risk.

In order to minimise the credit risk, loan ratios for corporate loans are based on a combination of factors, including indicative acceptable lending rates from the bankers, the quality of the assets and the Company represented by the securities, the liquidity of the securities, and the concentration level of securities held. The credit committee meets regularly and prescribes from time to time the lending limits on individual stocks and/or the credit limits for each individual client, taking into account the loan and stock concentration exposures. It also runs stress tests on loan portfolios to determine the impact on the Group's financial position and exposure. In this regard, the directors consider that the Group's credit risk is effectively controlled and significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of counterparties and clients rather than the geographical area or industry in which these parties operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual counterparties or clients. The Group's credit risk exposure on accounts receivable is spread over a number of counterparties and clients. As at 31 December 2022, the Group's credit risk for other loan and advances to customers for corporate actions is concentrated as the amounts are due from 22 clients (2021: 24 clients).

Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from accounts receivable, unlisted debt securities and other loans is disclosed in notes 19, 22, 23, 24 and 25 to the financial statements, respectively.

The credit policies have been followed by the Group since prior periods and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

The following table shows reconciliations from the opening to the closing balance of the ECL provisions by class of financial instruments with significant balances as at reporting date.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Accounts receivable from dealings in securities, futures and options contracts				
Balance at 1 January 2021	62	2	8,730	8,794
Net remeasurement of loss allowance	(1)	1	1,473	1,473
New financial assets originated or purchased	14	16	—	30
Financial assets that have been derecognised	(62)	(1)	(1)	(64)
Written-off	—	—	(5)	(5)
Balance at 31 December 2021 and 1 January 2022	**13**	**18**	**10,197**	**10,228**
Transfer to Stage 3	**(5)**	**—**	**5**	**—**
Net remeasurement of loss allowance	**—**	**—**	**1,714**	**1,714**
New financial assets originated or purchased	**1**	**—**	**—**	**1**
Financial assets that have been derecognised	**(8)**	**—**	**(2)**	**(10)**
Written-off	**—**	**—**	**(6)**	**(6)**
Balance at 31 December 2022	**1**	**18**	**11,908**	**11,927**
Financial assets measured at amortised cost (except for other receivables)				
Balance at 1 January 2021	12,554	138,317	391,697	542,568
Transfer to Stage 3	(1,931)	(113,900)	115,831	—
Transfer to Stage 2	(1,557)	1,557	—	—
Net remeasurement of loss allowance	(970)	130,884	2,450,029	2,579,943
New financial assets originated or purchased	—	5,119	—	5,119
Financial assets that have been derecognised	(7,640)	(6,574)	(139)	(14,353)
Unwind of discount	—	—	27,377	27,377
Write-off	—	—	(58,326)	(58,326)
Balance at 31 December 2021 and 1 January 2022	**456**	**155,403**	**2,926,469**	**3,082,328**
Transfer to Stage 3	**—**	**(155,326)**	**155,326**	**—**
Net remeasurement of loss allowance	**960**	**—**	**861,196**	**862,156**
New financial assets originated or purchased	**554**	**—**	**—**	**554**
Financial assets that have been derecognised	**—**	**(77)**	**—**	**(77)**
Unwind of discount	**—**	**—**	**107,187**	**107,187**
Balance at 31 December 2022	**1,970**	**—**	**4,050,178**	**4,052,148**

The carrying amount of other receivables as at 31 December 2022 is arrived at after deducting accumulated impairment losses of approximately HK$64,681,000 (2021: HK$13,743,000).

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from the timing differences between settlement with clearing houses or brokers and clients. The Group's operating units are also subject to various liquidity requirements as prescribed by the authorities and financial market regulators. The Group has put in place monitoring systems to ensure it maintains adequate liquid capital to fund its business commitments and to comply with the relevant rules including the Securities and Futures (Financial Resources) Rules. As a further safeguard, the Group has maintained banking facilities to meet contingencies in its operations. The Company will also consider raising fund to meet the business operations growth which require intensive capital buffer. Note 2.2 explains management's plans for managing liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

The liquidity policies have been followed by the Group since prior periods and are considered to be effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2022 and 2021. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on which the Group can be required to pay. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

	Carrying amount	Total contractual undiscounted cash flows	On demand or within 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2022				
Accounts payable	**1,534,134**	**1,534,134**	**1,534,134**	**—**
Bank and other borrowings	**905,545**	**917,836**	**917,836**	**—**
Lease liabilities	**48,771**	**56,085**	**27,767**	**28,318**
Accruals and other payables	**79,036**	**79,036**	**79,036**	**—**
	2,567,486	**2,587,091**	**2,558,773**	**28,318**
At 31 December 2021				
Accounts payable	1,541,785	1,541,785	1,541,785	—
Bank and other borrowings	1,502,854	1,521,758	1,521,758	—
Lease liabilities	47,451	48,020	34,008	14,012
Accruals and other payables	117,174	117,174	117,174	—
	3,209,264	3,228,737	3,214,725	14,012

42 FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses its own internal expertise or engages third party qualified valuers to perform the valuation. Valuation is prepared at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value

The following table presents financial instruments measured at fair value on a recurring basis in the consolidated statement of financial position according to the fair value hierarchy:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2022				
Financial assets held for trading				
— Listed equity securities (note (i))	277,169	6	—	277,175
— Unlisted equity securities (note (ii))	—	—	277,500	277,500
— Private equity funds (note (iv))	—	—	70,346	70,346
Loans to margin clients (note (vi))	—	670,496	—	670,496
Financial assets not held for trading				
— Unlisted equity securities (note (vii))	—	—	4,210	4,210
	277,169	670,502	352,056	1,299,727
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (viii))	—	22,495	85,000	107,495

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2021				
Financial assets held for trading				
— Listed equity securities (note (i))	400,200	4	—	400,204
— Unlisted equity securities (note (ii))	—	—	451,795	451,795
— Unlisted mutual funds (note (iii))	—	7,125	—	7,125
— Private equity funds (note (iv))	—	141,807	108,163	249,970
Derivative financial instruments (note (v))	—	17,267	—	17,267
Loans to margin clients (note (vi))	—	1,382,977	—	1,382,977
Financial assets not held for trading				
— Unlisted equity securities (note (vii))	—	—	4,210	4,210
	400,200	1,549,180	564,168	2,513,548
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (viii))	—	27,958	—	27,958

There was transfer from Level 2 to Level 1 because of the conversion of a private equity fund to certain listed equity securities, whereas there was no transfer into or out of Level 3 during the year ended 31 December 2022. There were no transfers between Level 1 and Level 2, whereas there was a transfer from Level 3 to Level 2 because of the listing of the sole investment of a private equity fund during the years ended 31 December 2021. For transfers into and out of Level 3 measurements see note (ix) below. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes:

(i) The fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(ii) The fair value of unlisted equity securities in Level 3 of HK$277,500,000 (2021: HK$428,523,000) and HK$Nil (2021: HK$23,272,000) have been determined by option pricing model under equity allocation approach and recent transaction respectively. The option pricing model under equity allocation approach is based on main inputs, such as 100% equity value of target company through a backsolve analysis, exercise values, expected volatility of 48.9% (2021: 42.2%), risk free rate of 4.1% (2021: 1.3%) and expected time to expiration.

(iii) As at 31 December 2021, the fair value of the unlisted mutual funds have been determined with reference to the net asset value of the funds. The underlying investments held by the funds are all listed with unadjusted quoted prices in active markets, with immaterial assets and liabilities with unobservable prices.

(iv) The fair value of the private equity funds in Level 3 of HK$41,219,000 (2021: HK$83,082,000) and 27,820,000 (2021: HK$25,081,000) have been determined with reference to the unadjusted net asset value of the funds and recent transaction with liquidity discount of 5% respectively. The fair value of the remaining private equity funds of HK$1,307,000 (2021: Nil) has been determined with reference to the recent transaction.

As at 31 December 2021, the fair value in Level 2 of HK$141,807,000 has been determined with reference to quoted price of underlying investments in active market with 5% blockage discount.

(v) As at 31 December 2021, the total return swap derivative is derived from model using the stock price and historical volatility observable from market.

(vi) The fair value of the margin loans has been determined with reference to the market value of securities pledged by margin clients at the reporting date.

(vii) As at 31 December 2022 and 2021, the fair value of the unlisted equity security of HK$4,210,000 (2021: HK$4,210,000) has been determined by using the adjusted net asset value with 10% discount.

42 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes: (Continued)

(viii) The financial liabilities represent net asset value attributable to third party interest of funds. The fair value has been determined by reference to the net asset value of the funds. The underlying investments held by the funds are all listed with unadjusted quoted prices in active markets, with immaterial assets and liabilities with unobservable prices. As at 31 December 2022, the Group has agreed to provide corporate guarantee for any shortfall from the guaranteed amounts. According to the fair value assessment as at 31 December 2022 with the use of significant unobservable inputs, the Group has assessed the fair value of approximately HK$85 million.

(ix) The movement of the financial instruments measured at fair value based on significant unobservable inputs (i.e. Level 3) is as follows:

	2022 HK$'000	2021 HK$'000
Financial assets held for trading		
At the beginning of the year	559,958	654,994
Transfer to level 2	—	(141,807)
Purchases	1,313	16,829
Net (loss)/gain recognised in profit or loss	(162,262)	50,743
Disposals	(11,740)	(5,073)
Reclassified to other receivables	(39,423)	(15,728)
At the end of the year	347,846	559,958
Financial assets not held for trading		
At the beginning of the year	4,210	8,050
Net loss recognised in other comprehensive income (note 19(b))	—	(3,840)
At the end of the year	4,210	4,210
Total net unrealised (loss)/gain recognised in profit or loss for assets held at the end of the reporting period	(178,413)	50,743
Derivative financial instruments		
At the beginning of the year	—	—
Fair value change in profit or loss	85,000	—
At the end of the year	85,000	—

42 FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value of investment property measured at fair value

Investment property represented commercial office premises in Hong Kong and are categorised within Level 2 of fair value hierarchy. There have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in the years ended 31 December 2020. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer. The fair value of the investment property as at 31 December 2020 has been arrived at on the basis of valuation carried out by independent valuers, who holds recognised and relevant professional qualifications and has recent experience in the location and category of the investment property being valued. The fair value has been determined using market comparable approach by reference to transaction price of comparable properties on a price per saleable area basis using market data which is publicly available.

The Investment property was transferred to land and buildings during the year ended 31 December 2021.

43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement ("CNS") money obligations receivable and trade payables with Hong Kong Securities Clearing Company Limited ("HKSCC"), which are included in "accounts receivable", "loans to margin clients" and "accounts payable" as presented in the consolidated statement of financial position, respectively. It intends to settle on a net basis as accounts payable from or accounts payable to the Stock Exchange. The net amount of CNS money obligations receivable or payable with HKSCC and guarantee fund placed in HKSCC do not meet the criteria for offsetting against each other in the financial statements and the Group does not intend to settle the balances on a net basis.

	As at 31 December 2022					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	604,302	(109,982)	494,320	(4,026)	—	490,294
Loans to margin clients	683,402	(12,906)	670,496	—	—	670,496

43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	As at 31 December 2022					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	**1,657,022**	**(122,888)**	**1,534,134**	**(4,026)**	**—**	**1,530,108**

As at 31 December 2021

	As at 31 December 2021					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	587,884	(133,719)	454,165	(23,815)	—	430,350
Loans to margin clients	1,420,292	(37,315)	1,382,977	—	—	1,382,977

	As at 31 December 2021					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	1,712,819	(171,034)	1,541,785	(23,815)	—	1,517,970

44 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting date may be categorised as follows. See notes 2.15 and 2.21 to the financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	31 December 2022 HK$'000	31 December 2021 HK$'000
Financial assets		
Financial assets measured at fair value through profit or loss		
— Financial assets held for trading	**625,021**	1,109,094
— Derivative financial instruments	**—**	17,267
— Loans to margin clients	**670,496**	1,382,977
Financial assets measured at fair value through other comprehensive income		
— Financial assets not held for trading	**4,210**	4,210
Financial assets measured at amortised cost		
— Financial assets not held for trading	**184,279**	267,612
— Advances to customers for corporate actions	**47,633**	189,308
— Other assets	**17,111**	20,174
— Accounts receivable	**494,320**	454,165
— Other loans	**1,109,229**	1,598,058
— Reverse repurchase agreements	**2,084**	2,050
— Deposits and other receivables	**82,826**	68,621
— Bank balances held on behalf of clients	**1,123,090**	1,178,362
— Cash and cash equivalents	**195,206**	405,290
	4,555,505	6,697,188
Financial liabilities		
Financial liabilities measured at amortised cost		
— Accounts payable	**1,534,134**	1,541,785
— Bank and other borrowings	**905,545**	1,502,854
— Accruals and other payables	**56,541**	89,216
— Lease liabilities	**48,771**	47,451
Financial liabilities measured at fair value through profit or loss		
— Accruals and other payables	**107,495**	27,958
	2,652,486	3,209,264

45 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and make 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.

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission or Hong Kong Insurance Authority. These subsidiaries are required to maintain certain minimum liquid capital, and net asset value and paid-up capital according to the Securities and Futures Ordinance and the Insurance Ordinance, respectively. Management monitors these subsidiaries' liquid capital or net asset value and paid-up capital to ensure they meet the minimum requirement in accordance with the Securities and Futures (Financial Resources) Rules or the Insurance Companies Ordinance. These externally imposed capital requirements have been complied with by the relevant group entities for the years ended 31 December 2022 and 2021.

The Group monitors its capital using a gearing ratio, which is total debts divided by total equity. For this purpose, total debts include bank and other borrowings as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratio as at the reporting date was as follows:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Total debt	**905,545**	1,502,854
Net assets	**2,011,606**	3,596,795
Gearing ratio	**45%**	42%

Gearing ratio of the Group increased from 42% as at 31 December 2021 to 45% as at 31 December 2022 due to the reduction in net assets as a result of the loss in 2022.

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Intangible assets	**340**	714
Property and equipment	**3,371**	6,045
Investments in subsidiaries	**119,880**	119,870
Financial assets measured at fair value through other comprehensive income	**4,210**	4,210
Deferred tax assets	**—**	2,665
	127,801	133,504
Current assets		
Financial assets measured at fair value through profit or loss	**—**	23,271
Prepayments, deposits and other receivables	**48,206**	11,594
Amounts due from subsidiaries	**2,621,029**	3,719,530
Cash and cash equivalents	**6,528**	8,335
	2,675,763	3,762,730
Current liabilities		
Bank and other borrowings	**699,618**	723,275
Accruals and other payables	**92,664**	9,057
	792,282	732,332
Net current assets	**1,883,481**	3,030,398
Non-current liabilities		
Deferred tax liabilities	**2,673**	—
	2,673	—
Net assets	**2,008,609**	3,163,902
EQUITY		
Share capital	**20,657**	20,657
Reserves (note)	**1,987,952**	3,143,245
Total equity	**2,008,609**	3,163,902

Approved and authorised for issue by the Board on 28 March 2023.

On behalf of the Board

LIU Hongwei	**Kenneth LAM Kin Hing**
Director	*Director*

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Shareholder's contribution HK$'000	Shares held for Share Award Scheme HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021	117,070	1,019	5,401,693	(16,089)	1,811	(22,798)	144,967	5,627,673
Dividend approved in respective of previous financial year	—	—	—	—	—	—	(30,985)	(30,985)
Transactions with equity holders	—	—	—	—	—	—	(30,985)	(30,985)
Net loss for the year	—	—	—	—	—	—	(2,449,603)	(2,449,603)
Other comprehensive income								
— Change in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	(3,840)	—	—	—	(3,840)
Total comprehensive loss for the year	—	—	—	(3,840)	—	—	(2,449,603)	(2,453,443)
At 31 December 2021	117,070	1,019	5,401,693	(19,929)	1,811	(22,798)	(2,335,621)	3,143,245

	Share premium HK$'000	**Capital redemption reserve HK$'000**	**Contributed surplus HK$'000**	**Investment revaluation reserve HK$'000**	**Shareholder's contribution HK$'000**	**Shares held for Share Award Scheme HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 1 January 2022	**117,070**	**1,019**	**5,401,693**	**(19,929)**	**1,811**	**(22,798)**	**(2,335,621)**	**3,143,245**
Dividend approved in respective of previous financial year	—	—	—	—	—	—	—	—
Transactions with equity holders	—	—	—	—	—	—	—	—
Net gain for the year	—	—	—	—	—	—	**(1,156,614)**	**(1,156,614)**
Other comprehensive income								
— Capital distribution from investment measured at fair value through other comprehensive income	—	—	—	**1,321**	—	—	—	**1,321**
Total comprehensive income for the year	—	—	—	**1,321**	—	—	**(1,156,614)**	**(1,155,293)**
At 31 December 2022	**117,070**	**1,019**	**5,401,693**	**(18,608)**	**1,811**	**(22,798)**	**(3,492,235)**	**1,987,952**

47 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE GROUP

Particulars of the principal subsidiaries as at 31 December 2022 are as follows:

Name	Place of incorporation	Particulars of issued capital	Percentage of interests		Principal activities and place of operations
			Held by the Company	Held by the subsidiaries	
China Tonghai Asset Management Limited	Hong Kong	Ordinary shares of HK$25,000,000	100	—	Investment adviser and asset management/Hong Kong
China Tonghai Asset Management (BVI) Ltd.	BVI	5,000 ordinary shares of US$1 each	—	100	Provision of fund management services/Hong Kong
China Tonghai Capital (Holdings) Limited	Hong Kong	Ordinary shares of HK$78,260,002	100	—	Investment holding and import/export trading liaison/Hong Kong
China Tonghai Capital Limited	Hong Kong	Ordinary shares of HK$84,000,000	—	100	Corporate finance and investment adviser/Hong Kong
China Tonghai Finance Limited	Hong Kong	Ordinary shares of HK$54,200,000	—	100	Finance and money lending/Hong Kong
China Tonghai Private Equity Limited	Hong Kong	Ordinary shares of HK$1,500,000	100	—	Investment holding/Hong Kong
China Tonghai Securities Limited	Hong Kong	Ordinary shares of HK$2,170,000,000	—	100	Securities dealing and futures and options broking/Hong Kong
China Tonghai Ventures (BVI) Limited	BVI	1 ordinary share of US$1	—	100	Fund investments/Hong Kong
China Tonghai Ventures (HK) Limited	Hong Kong	Ordinary shares of HK$6,000,000	—	100	Investment holding/Hong Kong
China Tonghai Communications Limited	Hong Kong	Ordinary shares of HK$76,520,664	100	—	Investment holding/Hong Kong
China Tonghai Financial Media Limited	Hong Kong	Ordinary shares of HK$6,000,000	—	100	Website management and other related services/Hong Kong
Global Alliance Partners Funds SICAV — China Tonghai Greater China UCITS Fund	Luxembourg	N/A	—	83	Investment in securities/Hong Kong

The above table lists the material subsidiaries of the Company which, in the opinion of the directors, principally contribute the results for the year or hold a substantial portion of assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(Expressed in Hong Kong dollars unless otherwise indicated)

48 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance contracts	1 January 2023
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 16, Lease: Lease liability in a sale and leaseback	1 January 2024
Amendment to HKFRS 10 and HKAS 28, Sales or Contribution of Asset between an Investor and its Associate or Joint Venture	A date to be determined
Amendment to HKAS 1, Non-Current Liabilities with Covenants	1 January 2024

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

49 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 3 February 2023, the deed of share purchase pursuant to which the Offeror has conditionally agreed to purchase and the Oceanwide Holdings IF has conditionally agreed to sell the Sales Shares has been completed. Immediately upon completion, the Offeror is interested in 4,098,510,000 ordinary Shares (approximately 66.1% ownership) of the Company. Mr. Lu, the former ultimate controlling shareholder of the Company, through his controlled corporation, beneficially own approximately 6.4% ownership of the Company. Details of the transaction were set out in the Company's announcement dated on 3 February 2023.

50 MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions during the year ended 31 December 2022, which were not reflected in the consolidated statement of cash flows:

On 30 June 2022, the Group entered into a deed of settlement with a convertible bond issuer ("the issuer"), a listed company in Hong Kong, to settle convertible bond held by the Group partly by HK$10,000,000 and partly 70,000,000 shares of the issuer.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, and reclassified as appropriate, is set out below.

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
RESULTS					
Revenue	**(177,818)**	857,822	1,104,615	779,432	672,310
Other (loss)/income	**(73,417)**	15,110	15,902	(2,275)	23,261
Direct costs	**(103,824)**	(141,838)	(165,747)	(160,196)	(181,304)
Staff costs	**(165,883)**	(186,178)	(255,215)	(214,850)	(164,967)
Depreciation and amortisation	**(41,940)**	(45,807)	(48,243)	(42,440)	(9,888)
ECL net charges	**(916,544)**	(2,582,604)	(372,627)	(184,800)	(89,890)
Finance costs	**(50,355)**	(62,442)	(109,824)	(112,131)	(59,023)
Other operating expenses	**(53,841)**	(55,325)	(53,662)	(56,883)	(82,306)
Share of result of an associate	**(556)**	526	(206)	(212)	—
Share of results of joint ventures	**—**	1,552	(1,873)	(2,036)	1,597
(Loss)/profit before tax	**(1,584,178)**	(2,199,184)	113,120	3,609	109,790
Tax credit/(expense)	**514**	(61,393)	(9,870)	1,738	(9,615)
Net (loss)/profit attributable to the equity holders of the Company	**(1,583,664)**	(2,260,577)	103,250	5,347	100,175

Five-Year Financial Summary

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
ASSETS AND LIABILITIES					
Total assets	**4,678,087**	6,841,285	9,944,397	9,726,044	10,177,613
Total liabilities	**(2,666,481)**	(3,244,490)	(4,053,180)	(3,942,490)	(4,380,999)
	2,011,606	3,596,795	5,891,217	5,783,554	5,796,614

Notes to the five year summary:

1. As a result of the adoption of HKFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2. As a result of the adoption of HKFRS 15, Revenue from contracts with customers, with effect from 1 January 2018, the Group has changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

3. The Group adopted HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.

中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

18/F and 19/F, China Building, 29 Queen's Road Central, Hong Kong
香港中環皇后大道中29號華人行18樓及19樓
Tel 電話: (852) 2217-2888
Fax 傳真: (852) 3905-8731
Website 網址: www.tonghaifinancial.com

(Remark: The above address will be changed to 5/F and 24/F (Rooms 2401 and 2412), Wing On Centre, 111 Connaught Road Central, Hong Kong, with effect from 3 April 2023.

備註: 上述地址將更改為香港干諾道中111號永安中心 5 樓及 24 樓 (2401及2412室)，自二零二三年四月三日起生效。)