



## Lerado Financial Group Company Limited

(Incorporated in Bermuda with limited liability)  
Stock Code : 1225



# ANNUAL REPORT 2021

## Contents

Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Directors' Profile	8
Corporate Governance Report	10
Directors' Report	22
Independent Auditor's Report	29
Consolidated Statement of Profit or Loss and Other Comprehensive Income	34
Consolidated Statement of Financial Position	36
Consolidated Statement of Changes in Equity	38
Consolidated Statement of Cash Flows	39
Notes to the Consolidated Financial Statements	41
Financial Summary	136

## Corporate Information

### EXECUTIVE DIRECTORS

Mr. CHEN Chun Chieh  
Ms. HO Kuan Lai  
Mr. LEUNG Kam Por Ken

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Tat Chi Michael  
Mr. YANG Haihui  
Mr. LAM Williamson

### AUDIT COMMITTEE

Mr. YU Tat Chi Michael (*Chairman*)  
Mr. LAM Williamson  
Mr. YANG Haihui

### REMUNERATION COMMITTEE

Mr. YU Tat Chi Michael (*Chairman*)  
Ms. HO Kuan Lai  
Mr. LEUNG Kam Por Ken  
Mr. LAM Williamson  
Mr. YANG Haihui

### NOMINATION COMMITTEE

Ms. HO Kuan Lai (*Chairlady*)  
Mr. CHEN Chun Chieh  
Mr. LAM Williamson  
Mr. YU Tat Chi Michael  
Mr. YANG Haihui

### COMPANY SECRETARY

Mr. MAN Yun Wah

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

Flat F&G, 4/F., Golden Sun Centre,  
59-67 Bonham Strand West,  
Sheung Wan, Hong Kong

### PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### BRANCH SHARE REGISTRAR

Tricor Secretaries Limited  
Level 54 Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### STOCK CODE

Hong Kong Stock Exchange: 1225

### COMPANY WEBSITE

[www.lerado.com](http://www.lerado.com)

### PRINCIPAL BANKERS

Chong Hing Bank Limited  
The Hongkong and Shanghai Banking Corporation  
Limited

### AUDITOR

Elite Partners CPA Limited

## Financial Highlights

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	<b>215,287</b>	207,831	247,592
Loss before taxation	<b>(62,894)</b>	(21,026)	(95,371)
As a percentage of revenue	<b>(29.2%)</b>	(10.1%)	(38.5%)
EBITDA	<b>2,670</b>	51,992	(22,229)
As a percentage of revenue	<b>1.2%</b>	25.0%	(8.98%)
Loss attributable to owners of the company	<b>(62,715)</b>	(12,072)	(86,170)
As a percentage of revenue	<b>(29.1%)</b>	(5.8%)	(34.8%)
Total assets	<b>2,031,070</b>	2,113,199	2,070,372
Total capital employed*	<b>1,842,566</b>	1,931,467	1,922,694
Equity attributable to owners of the company	<b>1,055,516</b>	1,114,113	1,107,601
Loss per share ( <i>HK cents</i> )	<b>28.53</b>	5.98	(3.74)
Return on average shareholders' equity	<b>(5.8%)</b>	(1.9%)	(7.5%)
Current ratio	<b>11.3</b>	9.7	10.8
Gearing ratio	<b>74.5%</b>	73.3%	72.5%
<i>Medical and Plastic Toys Business and Tradings of Garments</i>			
Average inventory turnover ( <i>days</i> )	<b>114</b>	107	66
Average trade debtor turnover ( <i>days</i> )	<b>81</b>	116	73

\* Total capital employed includes shareholders' equity and interest-bearing debts.

# Management Discussion and Analysis

## BUSINESS REVIEW

Lerado Financial Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products like mobility aid and other medical equipment.

### Medical Products and Plastic Toys Business

For the medical products and plastic toy business, Europe represented the largest export market of this segment. Sales revenue from European customers increased by approximately 58.0% for the year ended 31 December 2021 to approximately HK\$55.8 million, representing approximately 67.6% of the total revenue from medical products and plastic toys business. Revenue from US customers increased by approximately 95.6% for the year ended 31 December 2021 to approximately HK\$12.7 million, accounting for approximately 15.4% of the total revenue from medical and plastic toys business. Revenue from the People’s Republic of China (the “PRC”) customers increased by approximately 20.7% for the year ended 31 December 2021 to approximately HK\$6.8 million, accounting for approximately 8.2% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the year ended 31 December 2021 was approximately HK\$70.1 million, representing an increase of approximately 62.5% over last year and accounted for 85.0% of the total revenue from medical products and plastic toys business. The improvement was mainly due to the higher demand and more orders from overseas customers for powered scooters. Sales revenue from plastic toys slightly decreased by approximately 22.0% for the year ended 31 December 2021 to approximately HK\$12.4 million mainly due to keen market competition.

### Securities Brokerage, Margin Financing, Underwriting and Placements and Assets Management Business

Black Marble Securities Limited, a wholly-owned subsidiary of the Company (“Black Marble Securities”) has generated HK\$7.0 million revenue for the year ended 31 December 2021 (2020: HK\$12.0 million), representing 3.2% of the total revenue of the Group. It was mainly contributed by the interest income generated from the margin client of HK\$6.8 million for the year ended 31 December 2021 (2020: HK\$10.4 million).

The Group has started to develop assets management business and wishes to launch different type of fund to attract new investors for scaling up the portfolio size and the Group will receive management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. However, the assets management business has not yet generated any revenue during the year ended 31 December 2021 due to the weak market condition and the decline of investor enthusiasm.

### Money Lending and Finance Leasing

For the year ended 31 December 2021, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations and commenced its finance lease business in the PRC. The Group has generated approximately HK\$124.2 million interest income for the year and has decreased approximately HK\$11.1 million as compared to last year, representing approximately 57.7% of the total revenue of the Group. The directors of the Company (the “Directors”) are of the view that such business will keep contribute the income stream of the Group and is one of the main sources of income for the Group.

## Management Discussion and Analysis

During the year end 31 December 2021, the carrying amounts for the largest borrower and the five largest borrowers in aggregate were approximately HK\$31.1 million and HK\$144.8 million accounted for approximately 2.1% and 9.9% of the total loan receivables of the Group.

The Group performed impairment assessment under expected credit loss (“ECL”) model on loan receivables under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. In view of the global economic condition and the COVID-19 affection, the Group assessed that the probability of default of some borrowers would be higher. As such, the Group had recognised approximately HK\$66.8 million ECL for the year ended 31 December 2021.

The Group would conduct due diligence on the loan applicants through background searching, collecting business information, statutory records, documentation of applicant’s identification, and other materials that were deemed relevant to assess the creditworthiness of such applicants.

The Group continues to monitor the borrower’s ability to repay the loans after the drawdown of the loans. In order to monitor the risks associated with loans, we conduct periodic reviews on our loan portfolio. In addition, we conduct follow-up procedures with our borrowers by reviewing and evaluating the borrowers’ financial condition, market development of the industries and regions in which the customers operate, and the source of repayment to ascertain whether the customers are expected to have any difficulty in making timely repayments. The Group would also take appropriate actions, if and when necessary.

### PROSPECTS

The Group has endeavored to develop and expand the financial sectors, including, money lending business, financing leasing and securities brokerage business in Hong Kong and the PRC. In order to further expand the business, the Company will focus on the existing businesses and wish to participate in providing other financial services, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group’s existing financial sectors.

However, the outbreak of COVID-19 has been having an adverse effect in the market and the worldwide economy. It would likely reduce the investor enthusiasm and our businesses in Hong Kong and the PRC are expected to be very challenging in the coming years. In light of the above, the Group will adopt cautious flexible strategy to face the market changes. Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep focus on the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group’s business.

During the year ended 31 December 2021, the Company has been informed by the SFC that after due consideration of the actions taken by the Company to satisfy the resumption conditions and due inquiry, it is satisfied all the resumption condition has been fulfilled and the trading in the Company’s shares was resumed with effect from 21 June 2021. We are committed to continue in strengthen the corporate governance of the Group, and create the greatest possible value for all the shareholders of the Company (the “Shareholders”).

# Management Discussion and Analysis

## FINANCIAL REVIEW

Consolidated revenue of the Group for the year ended 31 December 2021 was approximately HK\$215.3 million (2020: HK\$207.8 million), representing an increase of approximately 3.6% over last year. The increase in the consolidated revenue was mainly due to the increase of medical products and plastic toys business, of which the increment was HK\$23.5 million.

Gross profit margin of the Group for the year was approximately 68.6%, representing a decrease of approximately 8.8 percentage points as compared to the gross profit margin of approximately 77.4% in the last year. Loss of the Group for the year ended 31 December 2021 was approximately HK\$65.9 million (2020: HK\$14.0 million) and loss for the year attributable to owners of the Company was approximately HK\$65.7 million (2020: HK\$13.8 million). The increase was mainly due to the increase of impairment loss of net of reversal of financial assets approximately HK\$38.3 million for the year ended 31 December 2021 as compared with last year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position. Cash and cash equivalents of the Group as at 31 December 2021 decreased by approximately HK\$80.5 million to approximately HK\$149.8 million as compared to approximately HK\$230.2 million as at 31 December 2020. The Group has bank borrowings of approximately HK\$nil (2020: HK\$3.0 million), bank overdrafts of approximately HK\$nil (2020: HK\$5.0 million), term loan of approximately HK\$nil (2020: HK\$28.0 million) and bond payable of approximately HK\$786.9 million (2020: HK\$781.0 million) as at 31 December 2021. As at 31 December 2021, the Group had net current assets of approximately HK\$1,758.3 million (31 December 2020: HK\$1,747.6 million) and a current ratio of approximately 11.3 (31 December 2020: 9.7). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business for the year ended 31 December 2021 were 59 days (31 December 2020: 78 days) and 133 days (31 December 2020: 108 days) respectively. The Group's gearing ratio as at 31 December 2021 was approximately 74.5% (2020: 73.3%). The gearing ratio was computed by the total borrowings and bonds payable over the equity of the Group.

## SIGNIFICANT INVESTMENTS

Since there was no held-for-trading investments and other investments held by the Group valued more than 5% of the total assets of the Group as at 31 December 2021, there were no significant investments held by the Group. Details of the held-for-trading investments held by the Group and the fair value changes of the held-for-trading investments for the year are set out in note 10 to the financial statements for the year ended 31 December 2021.

## DISCONTINUED OPERATION – SALES OF GARMENT ACCESSORIES

On 1 April 2021, the Company entered into the sales and purchase agreement with the purchaser to dispose of its 100% equity interest of Brilliant Summit Limited, a wholly-owned subsidiary of the Company, which were principally engaged in trading and sourcing of garment accessories. The transaction was completed on 8 April 2021 at a consideration of HK\$650,000.

# Management Discussion and Analysis

## DISPOSAL OF SUBSIDIARIES

On 14 April 2021, the Company entered into a sale and purchase agreement with the purchaser to dispose of its 100% equity interest in Treasure Boom and on 4 September 2021, the Company entered into a sale and purchase agreement with the purchaser to dispose of its 100% equity interest in Smart Success. For details please refer to note 36 of this financial statement.

## PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2021. As at 31 December 2020, the bank borrowings of the Group were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment properties of approximately HK\$7.0 million. The term loan of approximately HK\$28.0 million was secured by the Group's investment properties of approximately HK\$38.6 million as at 31 December 2020.

## EXCHANGE RISK EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in United States dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi appreciates, the Group will be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

## EQUITY PRICE RISK EXPOSURE

The Group is exposed to equity price risk through its investments in listed securities. Although, the Group currently does not maintain any hedging policy to hedge against the equity price risk, the management team manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the investments and will consider taking appropriate actions to minimize the risk.

## CONTINGENT LIABILITY

As at 31 December 2021, the Company did not have any significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total workforce of around 210 staff members, of which about 180 worked in the PRC and the remaining in Hong Kong. Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

## Directors' Profile

### EXECUTIVE DIRECTORS

**Mr. CHEN Chun Chieh** (“**Mr. Chen**”), aged 46, was appointed as an executive Director on 3 April 2008. Mr. Chen has been working for the Group since 2002, and currently is an executive Director, a member of the nomination committee of the Company (the “Nomination Committee”) and a director of certain subsidiaries of the Company. He obtained a master’s degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

**Mr. LEUNG Kam Por, Ken** (“**Mr. Leung**”), aged 42, was appointed as an executive Director on 28 January 2019. Mr. Leung currently is an executive Director, a member of the remuneration committee of the Company (the “Remuneration Committee”) and a director of certain subsidiaries of the Company. Mr. Leung holds a bachelor of engineering degree from Hong Kong Polytechnic University. Mr. Leung held a number of senior positions in various organizations including management consulting firm, licensed corporation and conglomerate. He has over 15 years of senior managerial experience of which 4 years working for licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance, and 3 years working as a director of a sizable company which mainly carries on money lending business. He also has extensive experience in different industries and is specializing in manufacturing, supply chain, finance, money lending, business consultancy and general management.

**Ms. HO Kuan Lai** (“**Ms Ho**”), aged 50, was appointed as an executive Director on 22 December 2017. Ms Ho currently is an executive Director, the chairlady of the Nomination Committee and a member of the Remuneration Committee. Ms. Ho is currently an associate member of the Singapore Institute of Chartered Secretarial & Administrator. She had been a non-executive director of Laura Ashley Holdings (a company listed on the main board of the London Stock Exchange, stock code: ALY) between 17 June 2013 and 3 August 2014, and an executive director of Morning Star Resources Limited (a company listed on the main board of the Stock Exchange, stock code: 542) between 1 February 2010 and 7 October 2010 and previously held senior management position of a sizable group of companies in Malaysia and United Kingdom. Ms. Ho has abundant experience in management of sizable group of companies.

## Directors' Profile

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. YU Tat Chi Michael** (“**Mr. Yu**”), aged 57, was appointed as an independent non-executive Director on 6 February 2018. Mr. Yu currently is an independent non-executive Director, a member of the Nomination Committee, the chairman of the Remuneration Committee and the chairman of the audit committee of the Company (the “Audit Committee”). Mr. Yu holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of The Hong Kong Independent Non-Executive Director Association. Mr. Yu has many years of experience in accounting, corporate finance and asset management. He had held senior management positions in several listed companies in Hong Kong. He was an independent non-executive director of EVOC Intelligent Technology Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2308) during 30 May 2016 and 21 May 2021. He is currently an independent non-executive director of Golden Resources Development International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 677) since 30 August 2012, Applied Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 519) since 14 September 2016, China Netcom Technology Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8071) since 31 August 2017 and Harbour Digital Asset Capital Limited (a company listed on the Main Board of the Stock Exchange, stock code: 913) since 17 August 2020. Mr. Yu has extensive experience in the field of accounting. The Company considers that Mr. Yu can provide independent and comprehensive advice to the Company.

**Mr. YANG Haihui** (“**Mr. Yang**”), aged 30, was appointed as an independent non-executive Director on 6 February 2018. Mr. Yang currently is an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Yang holds a bachelor of software engineering from the Beijing Normal University, Zhuhai. He currently serves managerial position of Jinshang Capital Investment Management Co. Ltd., primarily responsible for risk management in terms of investment, lending and product portfolio. He has extensive experience in risk management. The Company considers that Mr. Yang can provide independent advice to the Company and enhance the risk management of the Company.

**Mr. LAM Williamson** (“**Mr. Lam**”), aged 47, was appointed as an independent non-executive Director on 20 July 2018. Mr. Lam currently is an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Lam is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of the CPA (Australia). He holds a bachelor of business degree from Monash University, Australia and a master of professional accounting degree from the Hong Kong Polytechnic University. Mr. Lam had held directorships and senior finance positions in various listed companies in Hong Kong. Mr. Lam is currently an independent non-executive director of Elife Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 223) since 1 January 2011.

# Corporate Governance Report

The board (the “Board”) of Directors is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31 December 2021.

## CORPORATE GOVERNANCE CODE

The Directors consider that the Company had complied with Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021.

## THE BOARD

### Responsibilities

The Board is responsible for overseeing the overall development of the Company’s business with the objective of enhancing shareholders’ value including setting and approving the Company’s strategic plan, considering substantial investments, reviewing the Group’s financial performance and developing and reviewing the Group’s policies and practices on corporate governance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

All the Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors’ and officers’ liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

The Directors are aware of the requirements under the applicable regulations and the Listing Rules for the handling and dissemination of inside information. All the inside information identified by the Directors shall be published and disclosed to the public timely through the Company’s publications and communications, unless the information falls within safe harbours as prescribed in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

# Corporate Governance Report

## Board Composition

As at the date of this annual report, the Board comprises 3 executive Directors and 3 independent non-executive Directors.

The composition of the Board during the year ended 31 December 2021 and up to the date of this annual report is set out below:

### ***Executive Directors***

Mr. CHEN Chun Chieh  
Ms. HO Kuan Lai  
Mr. LEUNG Kam Por Ken

### ***Independent Non-Executive Directors***

Mr. YU Tat Chi Michael  
Mr. YANG Haihui  
Mr. LAM Williamson

The biographical details of the current Board members are set out under the section headed “Directors’ Profile” on pages 8 to 9 of this report. Each of the independent non-executive Directors is appointed for a term of three years.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All the Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

# Corporate Governance Report

## Appointment and Re-election of Directors

In accordance with the Company's bye-laws, all the Directors are subject to retirement by rotation at least once every three years and any new director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at the meeting.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Nomination Committee is responsible for reviewing the board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

## BOARD MEETINGS

### Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance.

Notice of regular Board meetings is served to all the Directors at least 14 days before the meeting. For other Board and board committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or board committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management of the Company where necessary.

The senior management, including company secretary of the Company (the "Company Secretary") attend all regular Board meetings and where necessary, other Board and board committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and board committee meetings. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and final versions are open for the Directors' inspection.

The Company's bye-laws contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

# Corporate Governance Report

## Directors' Attendance Records

During the year ended 31 December 2021, 4 regular board meetings were held for, among others, reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each Director at the Board meetings, the special general meeting (the "SGM") and the annual general meeting (the "AGM") during the year ended 31 December 2021 are set out below:

Name of Director	Attendance/Number of Meetings		
	Board Meetings	SGM	AGM
Mr. Chen Chun Chieh	3/4	0/1	0/1
Ms. Ho Kuan Lai	4/4	1/1	1/1
Mr. Leung Kam Por Ken	4/4	1/1	1/1
Mr. Yu Tat Chi Michael	4/4	1/1	1/1
Mr. Yang Haihui	3/4	0/1	0/1
Mr. Lam Williamson	4/4	1/1	1/1

## Directors' Training

The Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed director or alternative director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company has provided information related to the changes in the Listing Rules to the Directors to update and refresh the Directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the Directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the Directors' awareness of good corporate governance practices.

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

# Corporate Governance Report

Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2021.

## DELEGATION BY THE BOARD

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

All the Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the senior management for the discharge of its responsibilities.

## BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three board committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference which are available for the reference of the Shareholders and the public on the websites of the Company and the Stock Exchange. Each of the Nomination Committee, the Remuneration Committee and the Audit Committee is provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances at the Company's expenses.

### Nomination Committee

As at the date of this annual report, the Nomination Committee comprises 5 members, namely Ms. HO Kuan Lai, Mr. CHEN Chun Chieh, Mr. YU Tat Chi Michael, Mr. YANG Haihui and Mr. LAM Williamson, the majority of which are independent non-executive Directors, with Ms. HO Kuan Lai acting as the chairlady.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of the Directors, and assessing the independence of the independent non-executive Directors.

The Nomination Committee is also responsible to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report annually.

## Corporate Governance Report

During the year ended 31 December 2021, the Nomination Committee was primarily responsible, among others, for:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- assessing the independence of the independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for the Directors and, in particular, the chairman of the Board and the CEO of the Company; and
- reviewing the policy on Board diversity and any measurable objectives for implementing such policy.

The terms of reference of the Nomination Committee and the authority delegated by the Board is available on the websites of the Stock Exchange and the Company.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year ended 31 December 2021, details of attendance are set out below:

<b>Nomination Committee Members</b>	<b>Attendance/ Number of Meeting</b>
Mr. CHEN Chun Chieh	1/1
Ms. HO Kuan Lai	1/1
Mr. YU Tat Chi Michael	1/1
Mr. YANG Haihui	1/1
Mr. LAM Williamson	1/1

### Remuneration Committee

As at the date of this report, the Remuneration Committee comprises 5 members, namely Mr. YU Tat Chi Michael, Ms. HO Kuan Lai, Mr. LEUNG Kam Por Ken, Mr. YANG Haihui and Mr. LAM Williamson, the majority of which are independent non-executive Directors, with Mr. YU Tat Chi Michael acting as the chairman.

The Remuneration Committee is responsible for, among others, making recommendations to the Directors' remuneration and other benefits. The remuneration of all the Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation is reasonable. Its written terms of reference are in line with the provisions of the CG Code.

## Corporate Governance Report

During the year ended 31 December 2021, the Remuneration Committee was primarily responsible, among others, for:

- making recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- recommending to the Board the specific remuneration packages of all the executive Directors and senior management members of the Company; and
- reviewing and proposing performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee held one meeting during the year ended 31 December 2021 and the details of attendance are set out below:

<b>Remuneration Committee Members</b>	<b>Attendance/ Number of Meeting</b>
Ms. HO Kuan Lai	1/1
Mr. LEUNG Kam Por Ken	1/1
Mr. YU Tat Chi Michael	1/1
Mr. YANG Haihui	1/1
Mr. LAM Williamson	1/1

### Audit Committee

As at the date of this annual report, the Audit Committee comprises 3 members, namely Mr. YU Tat Chi Michael, Mr. YANG Haihui and Mr. LAM Williamson, all of whom are independent non-executive Directors, with Mr. YU Tat Chi Michael acting as the chairman.

The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting process and internal control system and to provide advice and comments to the Board.

During the year ended 31 December 2021, the Audit Committee was primarily responsible among others, for:

- making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- reviewing and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- developing and implement policy on the engagement of an external auditor to supply non-audit services;

## Corporate Governance Report

- monitoring integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and reviewing significant financial reporting judgements contained in them;
- reviewing the Company's financial controls, internal control and risk management systems;
- discussing with management the system of internal controls and risk management and ensuring that management has discharged its duty to have an effective internal control system and risk management;
- reviewing the Group's financial and accounting policies and practices; and
- reviewing the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of internal controls and risk management and management's response, and ensuring that the Board provides a timely response to the issues raised.

The Audit Committee held 2 meetings during the year ended 31 December 2021 and the details of attendance are set out below:

<b>Audit Committee Members</b>	<b>Attendance/ Number of Meeting</b>
Mr. YU Tat Chi Michael	2/2
Mr. YANG Haihui	2/2
Mr. LAM Williamson	2/2

### Corporate Governance Functions

During the year ended 31 December 2021, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT

### Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

### Risk Management and Internal Controls

During the year ended 31 December 2021, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

The Company has also engaged an external professional firm for the purpose of conducting internal audit function, who has conducted a review of the Group's operational control and risk management.

# Corporate Governance Report

## COMPANY SECRETARY

Mr. MAN Yun Wah has been nominated by In.Corp Corporate Services (HK) Limited to act as the Company Secretary, who has complied with the requirements of the Listing Rules. He has been contacting with the Board directly in respect of company secretarial matters.

## External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 29 of this annual report.

During the year ended 31 December 2021, the remunerations paid/payable to the Company's external auditors, Elite Partners CPA Limited are set out below:

Type of Services	Fees Paid/ Payable (HK\$)
<i>Audit Services</i>	
– Audit of annual financial statements	710,000
<b>Total</b>	<b>710,000</b>

There was no non-audit service provided by Elite Partners CPA Limited to the Company during the year ended 31 December 2021.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent board committee, are available to answer questions at shareholders' meetings.

The forthcoming annual general meeting of the Company (the "AGM") will be held on 28 June 2022. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

# Corporate Governance Report

## SHAREHOLDER RIGHTS

### Convening a special general meeting by shareholders

#### *Procedures for shareholders to convene a special general meeting (including making proposals/moving a resolution at the special general meeting)*

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the “Eligible Shareholder(s)”) shall at all times have the right, by written requisition to the Board or the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.
- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at a special general meeting must deposit a written requisition (the “Requisition”) signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company’s branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene a special general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a special general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting.
- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

### Making enquiry to the Board

The Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to Flat F&G, 4/F., Golden Sun Centre, 59-67 Bonham Strand West, Sheung Wan, Hong Kong or email to [public@lerado.com.hk](mailto:public@lerado.com.hk).

# Corporate Governance Report

## Investors Relationship

### ***Bye-laws***

There has not been any significant change to the Company's bye-laws during the year ended 31 December 2021.

### ***Investors Communication Policy***

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at [www.lerado.com](http://www.lerado.com), where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted and available for public access.

The Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number: (852) 3700 9600

By post: Flat F&G, 4/F., Golden Sun Centre,  
59-67 Bonham Strand West,  
Sheung Wan, Hong Kong

Attention: Investor Relations Department

By email: [public@lerado.com.hk](mailto:public@lerado.com.hk)

### **Disclaimer**

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the Shareholders. The Shareholders should seek their own independent legal or other professional advice as to their rights as the Shareholders. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance on any contents of this section headed "Shareholders' Rights".

## Directors' Report

The Directors present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2021.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements for the year ended 31 December 2021.

Descriptions and reviews of principal risks and uncertainties that the Group may be facing are set out on pages 111 to 125 of this annual report.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 34 and 35 of the annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021.

### PROPERTY, PLANT AND EQUIPMENT

The Group's buildings were revalued at 31 December 2021. The revaluation resulted in gain of HK\$2,405,000 which was credited to property revaluation reserve at 31 December 2021.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements for the year ended 31 December 2021.

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements for the year ended 31 December 2021.

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at the end of the reporting period were as follows:

	2021 HK\$'000	2020 HK\$'000
Contributed surplus	244,461	244,461
Accumulated losses	(786,975)	(768,071)
	<b>(542,514)</b>	<b>(523,610)</b>

## Directors' Report

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

### DIVIDEND POLICY

The Dividend Distribution Policy of the Company establishes the principles to ascertain amounts that can be distributed to the Shareholders as dividend by the Company. Subject to the applicable law and its Bye-Laws, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholders return.

While determining the nature and quantum of dividend payout, the Board would take into account the following factors, inter alia:

- Cash flow position of the Company
- Earnings stability
- Long term investments
- Future cash requirements for development
- Economic environment
- Industry outlook for the future years
- Changes in the Government policies, industry specific rulings & regulatory provisions

### DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this annual report were:

#### Executive Directors:

Mr. CHEN Chun Chieh  
Ms. HO Kuan Lai  
Mr. LEUNG Kam Por Ken

#### Independent non-executive Directors:

Mr. YU Tat Chi Michael  
Mr. YANG Haihui  
Mr. LAM Williamson

## Directors' Report

In accordance with clause 87 of the Company's bye-laws, Mr. LEUNG Kam Por Ken and Mr. LAM Williamson will retire at the forthcoming AGM and, being eligible, offer themselves for re-election. All the other Directors will continue in office.

The terms of office of all independent non-executive Directors are subject to retirement by rotation in accordance with the Company's bye-laws.

### **DIRECTORS' SERVICE CONTRACTS**

No Director has entered into service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### **DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 31 December 2021, none of the Directors, supervisor or the chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which shall be recorded and maintained in the register pursuant to section 352 of the SFO, or which shall be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

### **SHARE OPTIONS**

Particulars of the share option schemes and the movements in the share options of the Company are set out in note 32 to the consolidated financial statements.

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Other than share option schemes mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following Shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Opus Platinum Growth Fund	Beneficial owner	180,000,000	7.82%
Mr. Lai Shu Fun, Francis Alvin ( <i>Note 1</i> )	Interest in Controlled Corporation	180,000,000	7.82%

*Note:*

- (1) Mr. Lai Shu Fun, Francis Alvin is indirectly interested in approximately 40.03% of the total issued share capital of Opus Platinum Growth Fund. Therefore Mr. Lai Shu Fun, Francis Alvin is deemed to be interested in the 180,000,000 shares held by Opus Platinum Growth Fund.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2021.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

## CONNECTED TRANSACTIONS

Other than those disclosed in note 35 to the consolidated financial statements for the year ended 31 December 2021, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements under Chapter 14A of the Listing Rules.

# Directors' Report

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 35 to the consolidated financial statements for the year ended 31 December 2021, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end or at any time during the year ended 31 December 2021.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the aggregate sales attributable to the Group's five largest customers represented approximately 30.8% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 10.7% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 36.4% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 12.6%.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owning more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the board of directors, who are authorised by the shareholders in the annual general meeting, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to the Directors and eligible employees, details of these schemes are set out in note 32 to the consolidated financial statements for the year ended 31 December 2021.

# Directors' Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group endeavors to monitor and minimize impact to the environment. For the purpose of disclosing the information in relation to environmental, social and governance (“ESG”) in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules, an ESG report of the Company for the year ended 31 December 2021 will be published within one month after the publication of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2021.

## EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 5 October 2021, 4 November 2021, 11 November 2021 and 15 December 2021 (the “Announcements”) and the circular of the Company dated 19 October 2021 (the “Circular”). Unless otherwise defined herein, capitalized terms used in this section shall have the same meanings as those defined in the Announcements and the Circular.

On 11 January 2022, a special resolution was passed by the Shareholders at the special general meeting of the Company to approve the Capital Reorganisation involving the Share Consolidation, the Capital Reduction and the Share Sub-division as follows:

- (i) consolidate every ten (10) issued and unissued Existing Shares of par value of HK\$0.50 each in the share capital of the Company shall be consolidated into one (1) Consolidated Share of par value of HK\$5.0 each;
- (ii) immediately following the Share Consolidation, the issued share capital of the Company will be reduced by (a) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (b) a reduction of the par value of each issued Share from HK\$5.0 to HK\$0.01 per issued Share which reduction will comprise of a cancellation of such amount of the paid-up capital on each issued Share and an extinguishment and reduction of any part of the capital not paid up on any issued Shares so that each existing issued Share will be treated as one fully paid up share of par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act and be applied for such purposes as permitted by all applicable laws and the memorandum and bye-laws of the Company and as the Board considers appropriate; and
- (iii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares shall be sub-divided into five hundred (500) New Shares of par value of HK\$0.01 each.

The Capital Reorganisation became effective on 13 January 2022.

## Directors' Report

### AUDITOR

The Audit Committee has recommended to the Directors the nomination of Elite Partners CPA Limited for re-appointment as auditor of the Company at the forthcoming AGM.

The auditor, Elite Partners CPA Limited, has expressed its willingness to accept re-appointment. A resolution for the re-appointment of Elite Partners CPA Limited as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the board

**HO Kuan Lai**

*Executive Director*

31 March 2022

## Independent Auditor's Report



### **TO THE SHAREHOLDERS OF LERADO FINANCIAL GROUP COMPANY LIMITED**

*(incorporated in Bermuda with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of Lerado Financial Group Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 34 to 135, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

### Key audit matter

### How our audit addressed the key audit matter

#### Impairment assessment of trade receivables and loan receivables

We identified the impairment assessment under expected credit losses ("ECL") of HKFRS 9 for trade receivables and loan receivables as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement.

- Determination of the criteria for significant increase in credit risk ("SICR");
- Selection of models and assumptions used in the ECL models, including Probability of default ("PD") and Loss given default ("LGD"); and
- Establishing the relative probability weightings of forward-looking scenarios.

In addition, the ECL measurement involves management estimates and judgement in the consideration of various factors, including the realisable value of securities or collaterals from clients and their guarantors which are held by the Group and subsequent settlement and additional collaterals received.

The total gross amount of loan receivables was approximately HK\$1,526,149,000 with accumulated impairment provision of approximately HK\$91,473,000 as at 31 December 2021, details of which has been disclosed in note 22 to the consolidated financial statements.

The total gross amount of trade receivables was approximately HK\$201,963,000 with accumulated impairment provision of approximately HK\$85,049,000 as at 31 December 2021, details of which has been disclosed in note 21 to the consolidated financial statements.

Our procedures in relation to impairment assessment under ECL of HKFRS 9 for trade receivables and loan receivables include:

- Understanding the established policies and procedures on impairment assessment of the Group in relation to the application of ECL model under HKFRS 9, including model set up and approval, and selection and application of assumptions and inputs into the model;
- Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if a SICR has occurred or the financial asset is credit-impaired and the basis for classification of exposures into the 3 stages as required by HKFRS 9;
- Examining supporting documents for a selection of margin client receivables for the classification of loan exposures with a SICR (stages 1 or 2) or which have been credit-impaired (stage 3) as at the end of the reporting period;
- Evaluating the reasonableness and appropriateness of the key models and the critical assumptions, inputs and parameters used in the model;
- Examining significant data inputs into the ECL model, including PD and LGD after taking into consideration of forward-looking information; and
- On a sample basis of margin client receivables and loan receivables classified as stage 3, assessing the reasonableness of the estimated future cash flows and the fair value of collateral received from clients or their guarantors, and examining underlying documents supporting the fair value of the collateral received from clients or their guarantors and any settlement of secured margin loans and loan receivables subsequent to the end of the reporting period.

# Independent Auditor's Report

## OTHER INFORMATION

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

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

## Independent Auditor's Report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report

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

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

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

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

The engagement director on the audit resulting in the independent auditor's report is Mr. Leung Man Kin, with Practising Certificate number P07174.

**Elite Partners CPA Limited**  
*Certified Public Accountants*

10/F., 8 Observatory Road  
Tsim Sha Tsui  
Kowloon, Hong Kong  
30 March 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Continuing operations</b>			
Revenue	5		
– Goods and services		84,266	61,996
– Interest		131,021	145,835
Total revenue		215,287	207,831
Cost of inventories and services		(67,611)	(47,052)
		147,676	160,779
Other income	6	2,848	6,904
Other gains and losses, net	7	6,619	220
Impairment loss recognised on financial assets at amortised cost, net	7	(96,798)	(58,473)
Marketing and distribution costs		(5,127)	(3,784)
Administrative expenses		(56,971)	(63,172)
Share of results of an associate		565	166
Finance costs	8	(61,706)	(63,666)
Loss before taxation		(62,894)	(21,026)
Income tax (expense)/credit	9	(44)	8,756
Loss for the year from continuing operations		(62,938)	(12,270)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	11	(2,994)	(1,713)
Loss for the year	10	(65,932)	(13,983)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Gains on property revaluation		3,605	14,450
Recognition of deferred tax liability arising on property revaluation		(1,200)	(3,009)
		2,405	11,441
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		4,707	8,856
Other comprehensive income for the year		7,112	20,297
Total comprehensive (expense)/income for the year		(58,820)	6,314

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTE	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Loss for the year attributable to owners of the Company			
– from continuing operations		(62,715)	(12,072)
– from discontinued operation		(2,994)	(1,713)
Loss for the year attributable to owners of the Company		(65,709)	(13,785)
Loss for the year attributable to non-controlling interests			
– from continuing operations		(223)	(198)
– from discontinued operation		–	–
Loss for the year attributable to non-controlling interests		(223)	(198)
		(65,932)	(13,983)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(58,597)	6,512
Non-controlling interests		(223)	(198)
		(58,820)	6,314
Total comprehensive (expense)/income for the year attributable to owners of the Company:			
– from continuing operations		(55,603)	8,225
– from discontinued operation		(2,994)	(1,713)
		(58,597)	6,512
			(Restated)
<b>Loss per share</b>	15		
From continuing and discontinued operations			
– Basic and diluted		(HK28.53 cents)	(HK5.98 cents)
From continuing operations			
– Basic and diluted		(HK27.23 cents)	(HK5.24 cents)

## Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	28,194	26,527
Right-of-use assets	17	11,770	17,298
Investment properties	18	27,520	65,087
Investment in associates	19	10,515	9,824
Financial assets at fair value through profit or loss ("FVTPL")	24	4,015	25,557
Statutory deposits placed with clearing house		205	205
Deferred tax assets	29	19,630	19,317
		<b>101,849</b>	163,815
<b>Current assets</b>			
Inventories	20	28,245	13,807
Trade and other receivables and prepayments	21	145,768	200,719
Loan receivables	22	1,452,708	1,397,480
Financial assets at FVTPL	24	143,577	79,877
Tax recoverable		–	716
Bank balances (trust and segregated accounts)	25	9,139	26,536
Bank balances (general accounts) and cash	25	149,784	230,249
		<b>1,929,221</b>	1,949,384
<b>Current liabilities</b>			
Trade and other payables and accruals	26	152,827	142,823
Lease liabilities	28	231	5,377
Tax payable		17,888	17,554
Borrowings	27	–	36,016
		<b>170,946</b>	201,770
<b>Net current assets</b>		<b>1,758,275</b>	1,747,614
<b>Total assets less current liabilities</b>		<b>1,860,124</b>	1,911,429

## Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Capital and reserves			
Share capital	30	690,968	690,968
Reserves		364,548	423,145
		<b>1,055,516</b>	1,114,113
Non-controlling interests		161	384
Total equity		<b>1,055,677</b>	1,114,497
Non-current liabilities			
Bonds	27	786,889	780,954
Deferred tax liabilities	29	17,360	15,556
Lease liabilities	28	198	422
		<b>804,447</b>	796,932
		<b>1,860,124</b>	1,911,429

The consolidated financial statements on pages 34 to 135 were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

**Leung Kam Por, Ken**  
DIRECTOR

**Ho Kuan Lai**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Property revaluation reserve HK\$'000 (Note b)	Translation reserve HK\$'000 (Note c)	Capital redemption reserve HK\$'000 (Note d)	Accumulated losses HK\$'000			
At 1 January 2020	690,968	352,753	38,510	27,801	(311)	1,270	(3,390)	1,107,601	582	1,108,183
Loss for the year	-	-	-	-	-	-	(13,785)	(13,785)	(198)	(13,983)
Exchange differences arising from translation	-	-	-	-	8,856	-	-	8,856	-	8,856
Gains on property revaluation	-	-	-	11,441	-	-	-	11,441	-	11,441
Total comprehensive expense for the year	-	-	-	11,441	8,856	-	(13,785)	6,512	(198)	6,314
At 31 December 2020	690,968	352,753	38,510	39,242	8,545	1,270	(17,175)	1,114,113	384	1,114,497
Loss for the year	-	-	-	-	-	-	(65,709)	(65,709)	(223)	(65,932)
Exchange differences arising from translation	-	-	-	-	4,707	-	-	4,707	-	4,707
Gains on property revaluation	-	-	-	2,405	-	-	-	2,405	-	2,405
Total comprehensive expense for the year	-	-	-	2,405	4,707	-	(65,709)	(58,597)	(223)	(58,820)
At 31 December 2021	690,968	352,753	38,510	41,647	13,252	1,270	(82,884)	1,055,516	161	1,055,677

## Notes:

- The special reserve of the Group represents the difference between the nominal value of shares of Lerado Group Limited, a subsidiary of the Company, together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.
- The property revaluation reserve represents cumulative gains and losses, and deferred tax effects arising from revaluation of the corresponding properties that have been recognised in other comprehensive income. Such items will not be reclassified to profit or loss in subsequent periods.
- Translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) that are recognised directly in other comprehensive income and accumulated in the Translation reserve. Such exchange differences accumulated in the Translation reserve are reclassified to profit or loss on the disposal of the foreign operations.
- The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation		
From continuing operations	(62,894)	(21,026)
From a discontinued operation	(2,994)	(1,713)
Adjustments for:		
Depreciation of property, plant and equipment	3,399	4,334
Depreciation of right-of-use assets	489	5,420
Finance costs	61,825	63,846
Impairment loss recognised on financial assets at amortised cost, net	96,798	55,505
Bank interest income	(526)	(121)
Other interest income	(143)	–
Fair value changes of:		
– investment properties	(4,946)	11,338
– financial assets at FVTPL	(3,822)	(12,015)
Loss on disposal of property, plant and equipment	(24)	8
Loss on disposal of subsidiaries	2,039	–
Share of result of an associate	(565)	(166)
Reversal of allowance for inventories	(4,025)	(1,060)
Early termination of lease	143	–
Early redemption of bond	365	–
Written off of property, plant and equipment	18	–
Impairment loss on investment in an associate	166	–
Impairment loss of goodwill	–	1,900
Gain on derecognition of financial assets	–	(951)
Operating cash flows before movements in working capital	85,303	105,299
(Increase)/decrease in inventories	(9,776)	1,849
Decrease/(increase) in trade and other receivables	14,780	(9,714)
Increase in loan receivables	(121,557)	(121,784)
Decrease in finance lease receivables	–	2,524
Increase in financial assets at FVTPL	(38,336)	(30,491)
Decrease in bank balances – trust and segregated accounts	17,397	30,432
Increase/(decrease) in trade and other payables and accruals	8,279	(53)
Cash used in operations	(43,910)	(21,938)
Income tax refund, net	721	3,594
Interest paid	(34,717)	(28,429)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(77,906)</b>	<b>(46,773)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,430)	(422)
Proceed from disposal of property, plant and equipment	47	–
Interest received	669	121
Refund of deposits paid for formation of an associate	–	9,726
Investment in an associate	–	(1,165)
Loan to an associate	–	(8,317)
Net cash inflow from disposal of subsidiaries	9,765	–
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>8,051</b>	<b>(57)</b>
FINANCING ACTIVITIES		
Proceeds from issue of bonds, net of issue costs	–	3,000
Repayment of lease liabilities	(127)	(5,034)
Repayment of bonds	(5,500)	–
New term loan raised	–	28,000
Repayment of term loan	(1,713)	(28,000)
Repayment of bank loans	–	(190)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(7,340)</b>	<b>(2,224)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(77,195)</b>	<b>(49,054)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	225,243	270,571
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,736	3,726
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by		
Bank balances (general accounts) and cash	149,784	230,249
Bank overdrafts (included in borrowings)	–	(5,006)
	<b>149,784</b>	<b>225,243</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company in Hong Kong is at Flat F&G, 4/F., Golden Sun Centre, 59-67 Bonham Strand West, Sheung Wan, Hong Kong.

Trading in the shares of the Company (the “Shares”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) had been suspended at the direction of the Securities and Futures Commission (the “SFC”) since 6 June 2017. During the year ended 31 December 2021, the Company was informed by the SFC that after due consideration of the actions taken by the Company to satisfy the resumption conditions and due inquiry, it was satisfied that all the resumption conditions were fulfilled and the trading in the Shares was resumed with effect from 21 June 2021.

This consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

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

### (A) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform – Phase 2  
HKFRS 7, HKFRS 4 and HKFRS 16

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (B) NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.1 Basis of preparation of consolidated financial statements *(continued)*

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

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

### 3.2 Significant accounting policies

#### ***Basis of consolidation***

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### ***Basis of consolidation (continued)***

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

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

#### ***Changes in the Group's interests in existing subsidiaries***

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

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### ***Investment in associates***

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

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### ***Investment in associates (continued)***

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investor with resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

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

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

#### ***Revenue from contracts with customers***

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### *Revenue from contracts with customers (continued)*

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Leases**

##### *Definition of a lease*

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *The Group as a lessee*

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

##### Right-of-use assets

The cost of right-of-use asset includes:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

##### *The Group as a lessee (continued)*

##### Right-of-use assets *(continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

##### Refundable rental deposits

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

##### Lease liabilities

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

The lease payments include fixed lease payments (including in-substance fixed payments).

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

##### *The Group as a lessee (continued)*

##### Lease liabilities *(continued)*

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

##### Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

##### *The Group as a lessee (continued)*

##### Lease modifications *(continued)*

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

##### Covid-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### *Leases (continued)*

##### *As a lessor*

The Group enters into lease agreements as a lessor with respect to its investment properties to other parties.

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

Rental income from leases is recognised in other income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (“foreign currencies”) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

The functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the group entity. The group entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change. At the date of the change, the group entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### ***Foreign currencies*** *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### ***Borrowing costs***

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Government grants**

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

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

#### **Employee benefits**

##### **Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) and state-managed retirement schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

##### *Short-term and other long-term employee benefits*

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

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

#### **Taxation**

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Taxation** *(continued)*

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Taxation** *(continued)*

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

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

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

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

#### **Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Any revaluation increase arising on the revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### ***Property, plant and equipment*** *(continued)*

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

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated losses.

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

#### ***Investment properties***

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

Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

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

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 its disposals. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### ***Inventories***

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

#### ***Provisions***

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

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

#### ***Financial instruments***

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

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

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

#### *Financial assets*

##### Classification and subsequent measurement of financial assets

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

#### *Financial assets* *(continued)*

#### Classification and subsequent measurement of financial assets *(continued)*

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

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

The Group performed impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, deposits, loan receivables and bank balances) and other items (finance lease receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables (excepts for receivables from margin clients).

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

(i) Significant increase in credit risk

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

#### *Financial assets* *(continued)*

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

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

##### *Financial assets* *(continued)*

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

#### (ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for receivables from margin clients where a shorter period of 30 days past due has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### (iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

#### *Financial assets* *(continued)*

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables (except margin clients) using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flow used for determining the ECL is consistent with the cashflows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

#### *Financial assets* *(continued)*

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

#### (v) Measurement and recognition of ECL *(continued)*

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

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

#### Derecognition of financial assets

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### **Financial instruments** *(continued)*

##### *Financial liabilities and equity instruments*

##### Classification as debt or equity

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

##### Equity instrument

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

##### Financial liabilities

Financial liabilities including trade and other payables and accrual, borrowings and bonds are subsequently measured at amortised cost, using the effective interest method.

##### Derecognition of financial liabilities

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### ***Financial instruments (continued)***

##### *Offsetting a financial asset and a financial liability*

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

##### ***Impairment on property, plant and equipment and right-of-use assets***

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### 3.2 Significant accounting policies *(continued)*

#### ***Impairment on property, plant and equipment and right-of-use assets (continued)***

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Key sources of estimation uncertainty

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

#### ***Impairment assessment under ECL for trade receivables arising from medical products and plastic toys business***

Trade receivables arising from medical products and plastic toys business with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables arising from medical products and plastic toys business which are individually insignificant. The provision rates are based on past due aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL are disclosed in note 34.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### **Key sources of estimation uncertainty *(continued)***

#### ***Impairment assessment under ECL for loan receivables, trade receivables arising from securities brokerage business, other receivable and finance lease receivables***

The Group estimates the amount of loss allowance for ECL on its loan receivables, trade receivables arising from securities brokerage business and finance lease receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of loan receivables, trade receivables arising from securities brokerage business and finance lease receivables. The assessment of the credit risk of loan receivables, trade receivables arising from securities brokerage business and finance lease receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

#### *Significant increase of credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Details of loan receivables, trade receivables arising from securities brokerage business, other receivable and finance lease receivables are set out in Note 21, 22 and 23.

#### *Establishing groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 34 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

#### *Models and assumptions used*

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Key sources of estimation uncertainty *(continued)*

#### ***Impairment assessment under ECL for loan receivables, trade receivables arising from securities brokerage business, other receivable and finance lease receivables (continued)***

##### *Forward-looking information*

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

##### *Probability of default (PD)*

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

##### *Loss given default (LGD)*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

## 5. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating segments”, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”) in order to allocate resources to the segment and to assess its performance. The Group’s executive directors are the CODM for the purposes of HKFRS 8 as they collectively make strategic decisions in allocating the Group’s resources and assessing performance.

For the segment reporting purpose to the CODM, the Group is currently organised into the following three operating and reportable segments:

Medical products and plastic toys business	Manufacturing and distribution of medical care products and plastic toys
Securities brokerage business and asset management services	Securities brokerage, margin financing and underwriting and placements and provision of asset management services
Money lending business and other financial services	Provision of loan services and other financial services

An operating segment regarding the garments trading and sourcing was discontinued in the current year. The segment information reported on the following does not include any amounts for this discontinued operation, which are described in more detail as below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Revenue

An analysis of the Group's revenue by major goods and services categories for the year are as follows:

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Continuing operations</b>		
Medical products	70,129	43,143
Plastic toys	12,373	15,855
Fee and commission income	1,764	2,998
Revenue from contracts with customers	84,266	61,996
Interest income from		
– Loan receivables	124,196	135,291
– Margin financing	6,825	10,446
– Finance lease	–	98
	131,021	145,835
	215,287	207,831

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Timing of revenue recognition</b>		
A point in time	84,266	61,996
Over time	–	–
	84,266	61,996

### Performance obligations for contracts with customers

#### Medical products

For sales of medical products to international customers, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. The normal credit term is 30 days upon delivery.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE AND SEGMENT INFORMATION *(continued)*

### Performance obligations for contracts with customers *(continued)*

#### *Plastic toys*

For sales of plastic toys to international customers and the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. The normal credit term is 30 to 90 days upon delivery.

#### Segment revenue and results

The following is an analysis of the Group's revenue and result by reportable and operating segment.

	Medical products and plastic toys business <i>HK\$'000</i>	Securities brokerage business and asset management services <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended 31 December 2021</b>				
<b>Continuing operations</b>				
Segment revenue – external	82,502	6,993	125,792	215,287
Segment results	(8,691)	(4,024)	22,059	9,344
Changes in fair value of:				
– investment properties				5,146
– financial assets at FVTPL				3,822
Property rental income				2,349
Loss on disposal of subsidiaries				2,207
Share of results of an associate				565
Unallocated corporate income				499
Unallocated corporate expenses				(86,826)
Loss before taxation from continuing operations				(62,894)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE AND SEGMENT INFORMATION *(continued)*

### Segment revenue and results *(continued)*

	Medical products and plastic toys business <i>HK\$'000</i>	Securities brokerage business and asset management services <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended 31 December 2020</b>				
<b>Continuing operations</b>				
Segment revenue – external	58,998	12,054	136,779	207,831
Segment results	(4,571)	(30,330)	112,707	77,806
Changes in fair value of:				
– investment properties				(10,838)
– financial assets at FVTPL				12,015
Property rental income				3,066
Share of results of an associate				166
Unallocated corporate income				894
Unallocated corporate expenses				(104,135)
Loss before taxation from continuing operations				(21,026)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of changes in fair value of investment properties and financial assets at FVTPL, property rental income, loss on disposal of subsidiaries, share of results of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resources allocations and, performance assessment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 5. REVENUE AND SEGMENT INFORMATION *(continued)*

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	Medical products and plastic toys business <i>HK\$'000</i>	Securities brokerage business and asset management services <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>As at 31 December 2021</b>				
<b>Continuing operations</b>				
Segment assets	130,568	183,063	1,516,037	1,829,668
Investment properties				27,520
Investment in associates				10,515
Financial assets at FVTPL				147,592
Other unallocated assets				15,775
Total assets				2,031,070
Segment liabilities	59,795	22,577	23,344	105,716
Bonds				786,889
Other unallocated liabilities				82,788
Total liabilities				975,393

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

	Medical products and plastic toys business HK\$'000	Securities brokerage business and asset management services HK\$'000	Money lending business and other financial services HK\$'000	Consolidated HK\$'000
<b>As at 31 December 2020</b>				
<b>Continuing operations</b>				
Segment assets	94,239	275,668	1,465,521	1,835,428
Investment properties				65,087
Investment in associates				9,824
Financial assets at FVTPL				105,434
Other unallocated assets				85,439
Assets relating to discontinued operations				11,987
Total assets				2,113,199
Segment liabilities	50,697	36,404	13,091	100,192
Bonds				780,954
Other unallocated liabilities				102,196
Liabilities relating to discontinued operations				15,360
Total liabilities				998,702

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets, other than investment properties, investment in associates, financial assets at FVTPL and assets of the investment holding companies, are allocated to reportable and operating segments; and
- all liabilities, other than bonds and liabilities of the investment holding companies, are allocated to reportable and operating segments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Other segment information

	Medical products and plastic toys business HK\$'000	Securities brokerage business and asset management services HK\$'000	Money lending business and other financial services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>For the year ended 31 December 2021</b>					
<b>Continuing operations</b>					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	314	2,116	-	-	2,430
Depreciation of property, plant and equipment	3,137	108	154	-	3,399
Depreciation of right-of-use assets	360	-	-	48	408
Reversal of allowance for inventories	(4,025)	-	-	-	(4,025)
Impairment loss (reversed)/ recognised on financial assets at amortised cost, net	(1,816)	4,565	(68,242)	(31,305)	(96,798)

	Medical products and plastic toys business HK\$'000	Securities brokerage business and asset management services HK\$'000	Money lending business and other financial services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>For the year ended 31 December 2020</b>					
<b>Continuing operations</b>					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	422	-	-	-	422
Depreciation of property, plant and equipment	3,711	278	269	-	4,258
Depreciation of right-of-use assets	394	4,701	-	-	5,095
Reversal of allowance for inventories	(1,060)	-	-	-	(1,060)
Impairment loss (reversed)/ recognised on financial assets at amortised cost, net	(1,194)	17,897	19,511	22,259	58,473
Impairment loss on goodwill	-	-	1,900	-	1,900

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE AND SEGMENT INFORMATION *(continued)*

### Geographical information

The Group's operations are principally located in the People's Republic of China (the "PRC") and Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the locations of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	132,785	148,735	2,447	44,750
Europe*	55,754	35,278	-	-
The United States of America	12,724	6,506	-	-
The PRC (excluding Hong Kong)	6,795	5,729	65,037	56,972
Australia	1,183	1,105	-	-
South America	58	56	-	-
Others*	5,988	10,422	-	-
	<b>215,287</b>	<b>207,831</b>	<b>67,484</b>	<b>101,722</b>

\* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

*Note:* Non-current assets excluded those relating to discontinued operation and investment in associates, financial assets at FVTPL, statutory deposits placed with clearing house and deferred tax assets.

### Information about major customers

The Group's revenue from continuing operations from external customers is mainly derived from the PRC and Hong Kong. For the years ended 31 December 2021 and 2020, there was no revenue from transactions with a single customer amounted to 10% or more of the total revenue.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Continuing operations</b>		
Bank interest income	526	121
Other interest income	143	–
Rental income	2,349	3,066
Other commission income	855	860
Government grants	–	1,040
Early termination of lease	(143)	–
Early redemption of bond	(365)	–
Others	(517)	1,817
	<b>2,848</b>	<b>6,904</b>

## 7. OTHER GAINS AND LOSSES, NET/IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS AT AMORTISED COST, NET

### (a) Other gains and losses, net

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Continuing operations</b>		
Fair value changes of:		
– investment properties	5,146	(10,838)
– financial assets at FVTPL	3,822	12,015
Impairment loss on goodwill	–	(1,900)
Gain/(loss) on disposal of property, plant and equipment	24	(8)
Loss on disposal of subsidiaries	(2,207)	–
Gains on derecognition of financial assets	–	951
Impairment loss on investment in associates	(166)	–
	<b>6,619</b>	<b>220</b>

### (b) Impairment loss recognised on financial assets at amortised cost, net

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Continuing operations</b>		
Impairment loss (recognised)/reversed on trade receivables arising from:		
– medical products and plastic toys business and trading of garments	(516)	1,194
– securities brokerage business	4,565	(17,897)
Impairment loss recognised on finance lease receivables	–	(2,766)
Impairment loss recognised on loan receivables	(66,794)	(16,745)
Impairment loss recognised on other receivables	(34,053)	(22,259)
	<b>(96,798)</b>	<b>(58,473)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 8. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Continuing operations</b>		
Interests on		
– Bank overdrafts and loans	780	3,066
– Bonds	60,923	60,125
– Lease liabilities	3	475
	<b>61,706</b>	<b>63,666</b>

## 9. INCOME TAX EXPENSES/(CREDIT)

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Continuing operations</b>		
Current tax:		
– Hong Kong Profits Tax	–	–
– The PRC Enterprise Income Tax (“EIT”)	620	533
	<b>620</b>	<b>533</b>
Over-provision in prior years:		
– Hong Kong Profits Tax	–	(5,989)
– The PRC EIT	(263)	–
	<b>(263)</b>	<b>(5,989)</b>
Deferred taxation:		
– Current year	(313)	(3,300)
	<b>44</b>	<b>(8,756)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 9. INCOME TAX (EXPENSES)/CREDIT *(continued)*

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

Under the Law of the PRC on Enterprise Income tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Corporate Income Tax in Taiwan is charged at 17% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

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

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Loss before taxation from continuing operations	(62,894)	(21,026)
Tax credit at Hong Kong Profits Tax rate of 16.5%	(10,378)	(3,470)
Tax effect of share of result of an associate	(93)	(27)
Tax effect of expenses not deductible for tax purposes	7,327	5,476
Tax effect of income not taxable for tax purposes	(2,193)	(3,381)
Tax effect of temporary differences not recognised	(1,330)	2,359
Tax effect of tax losses not recognised	7,355	6,148
Tax effect of tax losses utilised	(502)	(9,832)
Over-provision in prior years	(263)	(5,989)
Effect of different tax rates of subsidiaries operate in other jurisdictions	121	(40)
Income tax expense/(credit)	44	(8,756)

Details of movements in deferred taxation are set out in note 29.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. LOSS FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Loss for the year from continuing operations has been arrived at after charging/(crediting):		
Salaries and allowances, including those of directors	31,186	25,508
Contributions to retirement benefit schemes, including those of directors	984	535
<b>Total employee benefits expense, including those of directors</b>	<b>32,170</b>	<b>26,043</b>
Auditor's remuneration	710	710
Cost of inventories recognised as an expense	67,551	47,028
Depreciation of property, plant and equipment	3,399	4,257
Depreciation of right-of-use assets	459	5,095
Written off of property, plant and equipment	18	–
Reversal of allowance for inventories	<b>(4,025)</b>	<b>(1,060)</b>

## 11. DISCONTINUED OPERATIONS

On 1 April 2021, the Group entered into the sale and purchase agreement with an independent third party to dispose of all its 100% equity interest of Brilliant Summit Limited, a wholly-owned subsidiary of the Company which carried out all of the Group's garments trading and sourcing operation. The transaction was completed on 8 April 2021 at a consideration of HK\$650,000, on which date control of Brilliant Summit Limited passed to the acquirer. The analysis of the results of discontinued operation is as follows:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. DISCONTINUED OPERATIONS (continued)

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

	Period ended 8 April 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Loss of garments trading and sourcing operation for the period/year	(3,162)	(1,713)
Gain on disposal of garments trading and sourcing operation	168	–
	<b>(2,994)</b>	<b>(1,713)</b>

The result of the garments trading and sourcing operation for the period from 1 January 2021 to 8 April 2021, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 8 April 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Revenue	260	1,052
Other income	57	672
Other gain and losses, net	(200)	(500)
Impairment loss recognised on financial assets, at amortised cost, net	–	2,968
Administrative expenses	(3,155)	(5,725)
Finance cost	(124)	(180)
Loss before taxation	(3,162)	(1,713)
Income tax expenses	–	–
Loss from discontinued operation for the period/year attributable to owners of the Company	<b>(3,162)</b>	<b>(1,713)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. DISCONTINUED OPERATIONS (continued)

As referred to above, the Group discontinued its garments trading and sourcing operation at the time of disposal of its subsidiary, Brilliant Summit Limited. The net assets of Brilliant Summit Limited at the date of disposal were as follows:

### Analysis of assets and liabilities

	HK\$'000
Property, plant and equipment	190
Investment property	6,800
Right of use assets	243
Cash and cash equivalents	1,423
Trade and other receivables and prepayments	10,683
Borrowings	(6,295)
Trade and other payables and accruals	(12,195)
Lease liabilities	(367)
<b>Net assets disposed of</b>	<b>482</b>
Gain on disposal of discontinued operation:	
Cash consideration receivable	650
Net assets disposed of	(482)
<b>Gain on disposal</b>	<b>168</b>
Net cash inflow on disposal of a subsidiary	
Consideration received	–
Add: bank overdraft	4,998
Less: cash and bank balance disposal of	(1,423)
	<b>3,575</b>

### Analysis of the cash flow of discontinued operation is as follows:

	Period ended 8 April 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Net cash (used in)/generated from operating activities	3,164	(342)
Net cash generated from investing activities	–	–
Net cash generated from/(used in) financing activities	(1,803)	(298)
<b>Net cash generated from/(used in) discontinued operation</b>	<b>1,361</b>	<b>(640)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors are as follows:

2021

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Contribution to retirement benefits scheme <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
<b>Executive directors</b>				
Chen Chun Chieh	–	1,297	39	1,336
Leung Kam Por Ken	–	240	12	252
Ho Kuan Lai	–	960	–	960
<b>Independent non-executive directors</b>				
Lam Williamson	144	–	–	144
Yu Tat Chi Michael	216	–	–	216
Yang Haihui	120	–	–	120
Total	480	2,497	51	3,028

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 12. DIRECTORS' EMOLUMENTS (continued)

2020

	Fees HK\$'000	Salaries and allowances HK\$'000	Contribution to retirement benefits scheme HK\$'000	Total emoluments HK\$'000
<b>Executive directors</b>				
Chen Chun Chieh	–	1,284	39	1,323
Leung Kam Por Ken	–	240	12	252
Ho Kuan Lai	–	960	–	960
<b>Independent non-executive directors</b>				
Lam Williamson	144	–	–	144
Yu Tat Chi Michael	216	–	–	216
Yang Haihui	120	–	–	120
<b>Total</b>	<b>480</b>	<b>2,484</b>	<b>51</b>	<b>3,015</b>

*Notes:*

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive Directors' emoluments shown above were mainly for their services as directors of the Company.

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any remuneration during the years ended 31 December 2021 and 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 13. EMPLOYEES' EMOLUMENTS

Among the five individuals with the highest emoluments in the Group for the year ended 31 December 2021, two (2020: two) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining three (2020: three) individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and allowance	2,465	2,391
Contribution to retirement benefits scheme	48	54
	<b>2,513</b>	<b>2,445</b>

Their emoluments were within the following bands:

	2021	2020
Below HK\$1,000,001	2	3
HK\$1,000,001 to HK\$1,500,000	1	–

No emoluments were paid by the Group to the five highest paid individuals as compensation for loss of office or as a discretionary bonus or an inducement to join or upon joining the Group. None of the five highest paid individuals has waived any emoluments in both years.

### 14. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. LOSS PER SHARE

### From continuing operations

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

	2021 HK\$'000	2020 HK\$'000
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share from continuing operations	(62,715)	(12,072)
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	230,322,413	230,322,413

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the consolidation of every ten ordinary shares of the Company of HK\$0.5 each into one consolidated share of HK\$5.0 each which become effective on 11 January 2022.

Diluted loss per share for the years ended 31 December 2021 and 2020 were the same as basic loss per share as there were no potential ordinary shares in issue for the years ended 31 December 2021 and 2020.

### From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2021 HK\$'000	2020 HK\$'000
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share	(65,709)	(13,785)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

### From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK1.30 cents per share (2020: HK0.74 cents per share), based on the loss for the year from the discontinued operations of approximately HK\$2,994,000 (2020: HK\$1,713,000) and the denominators detailed above for both basic and diluted loss per share.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>						
At 1 January 2020	28,689	4,224	21,513	4,109	2,513	61,048
Exchange realignment	1,848	71	1,382	155	32	3,488
Additions	-	-	394	28	-	422
Disposal	-	-	(784)	(324)	-	(1,108)
Adjustment on valuation	(1,069)	-	-	-	-	(1,069)
Transfer to investment properties (note 18)	(5,822)	-	-	-	-	(5,822)
At 31 December 2020 and at 1 January 2021	23,646	4,295	22,505	3,968	2,545	56,959
Exchange realignment	719	34	595	109	33	1,490
Additions	-	-	21	2,138	271	2,430
Disposal	-	-	(29)	-	(211)	(240)
Written off	-	(3,124)	-	(1,678)	-	(4,802)
Adjustment on valuation	(25)	-	-	-	-	(25)
Transfer to investment properties (note 18)	(489)	-	-	-	-	(489)
Disposal of a subsidiaries	-	-	-	(6)	(1,619)	(1,625)
At 31 December 2021	23,851	1,205	23,092	4,531	1,019	53,698
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2020	-	3,899	19,948	3,287	1,533	28,667
Exchange realignment	173	60	1,297	134	29	1,693
Provided for the year	2,989	181	221	512	431	4,334
Disposals	-	-	(776)	(324)	-	(1,100)
Adjustment on valuation	(3,162)	-	-	-	-	(3,162)
At 31 December 2020 and at 1 January 2021	-	4,140	20,690	3,609	1,993	30,432
Exchange realignment	42	30	554	94	30	750
Provided for the year	2,668	36	149	302	244	3,399
Disposals	-	-	(27)	-	(190)	(217)
Written off	-	(3,124)	-	(1,660)	-	(4,784)
Adjustment on valuation	(2,710)	-	-	-	-	(2,710)
Disposal of a subsidiaries	-	-	-	(6)	(1,360)	(1,366)
At 31 December 2021	-	1,082	21,366	2,339	717	25,504
<b>CARRYING AMOUNT</b>						
At 31 December 2021	23,851	123	1,726	2,192	302	28,194
At 31 December 2020	23,646	155	1,815	359	552	26,527

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% or the remaining period of the leases, if shorter
Leasehold improvements	10-20% or the remaining period of the leases, if shorter
Plant and machinery	10-20%
Office equipment	20-33 $\frac{1}{3}$ %
Motor vehicles	20-50%

The Group revalued its buildings at 31 December 2021 and 2020. At 31 December 2021, the buildings in the PRC amounting to HK\$23,851,000 (2020: HK\$23,646,000) were valued under depreciated replacement cost approach. The revaluation gain for the year ended 31 December 2021 amounting to HK\$2,685,000 which were debited directly to the property revaluation reserve (2020: revaluation gain of HK\$2,093,000).

### Fair value measurement of the Group's buildings

The fair values of the Group's buildings were revalued at 31 December 2021 and 2020 by independent property valuers not connected to the Group.

The fair values of the remaining buildings in the PRC were determined by using the depreciated replacement cost approach that reflects the cost to a market participant to construct asset of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating of the fair values of buildings, the highest and the best use of the buildings is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's buildings were categorised into Level 3.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

### Fair value measurement of the Group's buildings (continued)

#### Reconciliation of Level 3 fair value measurements

	<b>Buildings</b> HK\$'000
At 1 January 2020	28,689
Exchange realignment	1,675
Depreciation	(2,989)
Revaluation	2,093
Transfer to investment properties	(5,822)
<hr/>	
At 31 December 2020 and at 1 January 2021	23,646
Exchange realignment	677
Depreciation	(2,668)
Revaluation	2,685
Transfer to investment properties	(489)
<hr/>	
At 31 December 2021	<b>23,851</b>

The following table shows the valuation techniques used in the determination of fair values for buildings and unobservable inputs used in the valuation model.

Description	Fair value as at		Valuation techniques	Unobservable inputs	Relationship of unobservable inputs of fair value
	31 December 2021 HK\$'000	31 December 2020 HK\$'000			
<b>Buildings located in the PRC</b>					
Industrial office units	23,851	23,646	Depreciated replacement cost approach	Adjusted building construction cost after taking into account the difference in individual factor	An increase in the building construction cost would result in the increase in the comparable fair value and vice versa.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at approximately HK\$3,013,000 (2020: approximately HK\$3,166,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. RIGHT-OF-USE ASSETS

	Land use rights HK\$'000	Leasehold building HK\$'000	Total HK\$'000
<b>Cost:</b>			
At 1 January 2020	13,319	14,753	28,072
Transfer to investment properties (note 18)	(1,539)	–	(1,539)
Exchange realignment	769	–	769
At 31 December 2020	12,549	14,753	27,302
Transfer to investment properties (note 18)	(118)	–	(118)
Early termination of lease	–	(14,104)	(14,104)
Disposal of subsidiary	–	(649)	(649)
Addition	–	466	466
Exchange realignment	366	–	366
At 31 December 2021	12,797	466	13,263
<b>Accumulated depreciation:</b>			
At 1 January 2020	683	3,918	4,601
Charge for the year	394	5,026	5,420
Transfer to investment properties (note 18)	(79)	–	(79)
Exchange realignment	62	–	62
At 31 December 2020	1,060	8,944	10,004
Charge for the year	360	129	489
Transfer to investment properties (note 18)	(10)	–	(10)
Early termination of lease	–	(8,619)	(8,619)
Disposal of subsidiary	–	(406)	(406)
Exchange realignment	35	–	35
At 31 December 2021	1,445	48	1,493
<b>Carrying amount:</b>			
At 31 December 2021	11,352	418	11,770
At 31 December 2020	11,489	5,809	17,298
		<b>2021</b>	2020
		<b>HK\$'000</b>	<b>HK\$'000</b>
Total cash outflow for leases		<b>127</b>	5,034

**Notes:**

Land use rights represents lump sum considerations paid by the Group to acquire leasehold lands located in the PRC. These leasehold lands are with lease periods of 50 years and there are no ongoing payments to be made under the terms of the land leases.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 18. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 January 2020	56,700
Transfer from property, plant and equipment and right-of-use assets	19,639
Changes in fair value recognised in profit or loss	(11,338)
Exchange realignment	86
<hr/>	
At 31 December 2020 and 1 January 2021	65,087
Disposal of subsidiaries	(45,400)
Transfer from property, plant and equipment and right-of-use assets	1,517
Changes in fair value recognised in profit or loss	4,946
Exchange realignment	1,370
<hr/>	
At 31 December 2021	27,520

All of the Group's property interests held under operating lease to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the year 2021, property, plant and equipment and right-of-use assets of HK\$489,000 (2020: HK\$5,822,000) and HK\$108,000 (2020: HK\$1,460,000), respectively were transferred to investment properties due to change of the uses from owner-occupation to earning rentals. The fair value of the properties at the date of transfer was HK\$1,517,000 (2020: HK\$19,639,000). Gains on property revaluation and deferred tax charges of HK\$920,000 (2020: HK\$12,357,000) and HK\$1,200,000 (2020: HK\$3,009,000) respectively were recognised in other comprehensive income.

The fair values of the Group's investment properties at 31 December 2021 and 2020 have been arrived at on the basis of a valuation carried out on the respective dates by independent qualified professional valuers not connected to the Group.

The fair values of residential unit and residential parking space and commercial office unit located in Hong Kong, and industrial office units located in PRC were determined based on direct comparison approach by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the nature, location and condition of the property. There has been no change to the valuation technique during the year.

In estimating of the fair value of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's investment properties were categorised into Level 3.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 18. INVESTMENT PROPERTIES (continued)

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

Description	Fair value as at		Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2021 HK\$'000	31 December 2020 HK\$'000			
<b>Property located in Hong Kong</b>					
Commercial office unit	-	7,000	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value, and vice versa.
Residential unit and residential car parking space	-	38,600	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value, and vice versa.
<b>Property located in the PRC</b>					
Industrial office units	27,520	19,487	Depreciated replacement cost approach	Adjusted building construction cost after taking into account the difference in individual factor	An increase in the building construction cost would result in the increase in the comparable fair value and vice versa.

## 19. INVESTMENT IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Cost of unlisted investments	1,199	17,165
Share of post-acquisition results	754	(15,658)
Loan to an associate (note a)	1,953 8,562	1,507 8,317
	<b>10,515</b>	<b>9,824</b>

(a) Loan to an associate is unsecured, non-interest bearing and have no fixed terms of repayment. This is regarded as capital contribution to the associate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. INVESTMENT IN ASSOCIATES (continued)

Details of the Group's associates as at 31 December 2021 and 2020 are as follows:

Name of associate	Place of incorporation/ business	Issued and fully paid share capital/registered capital		Effective interest in the issued share capital		Principal activity
		2021	2020	2021	2020	
Fullsino Management Limited ("Fullsino") (Note a)	Hong Kong	HK\$40,000,000	HK\$40,000,000	-	40%	Provision of beauty and wellness services
上海勤瑞益安物業管理有限公司 ("上海勤瑞")	PRC	RMB2,000,000	RMB2,000,000	49%	49%	Investment holding
上海坎菲德企業管理合夥企業 (有限合夥)("上海坎菲德") (Note b)	PRC	RMB50,000,000	RMB50,000,000	29.4%	29.4%	Investment holding
上海激川企業管理合夥企業 (有限合夥)("上海激川") (Note b)	PRC	RMB2,790,000	-	36.7%	-	Investment holding

Summarised financial information of principal associate 上海勤瑞 is set out below:

	2021 HK\$'000	2020 HK\$'000
Total assets	40,263	20,881
Total liabilities	(29,430)	(13,598)
Net assets	10,833	7,283
Revenue	1,447	574
Profit for the year and total comprehensive income	1,156	338
Group's share of result of the associate for the year	565	166

Notes:

- (a) Fullsino is directly held by Smart Success International Enterprises Limited, which is disposed of during the year ended 31 December 2021. During the year, the Group provided approximately HK\$166,000 impairment loss on investment in an associate. The carrying amount was fully impaired. On 4 September 2021, it was disposed of through disposal of Smart Success International Enterprises Limited.

Details of disposal of subsidiaries are set out in note 36 (b).

- (b) 上海坎菲德 and 上海激川 are directly held by 上海勤瑞.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of the above summarised financial information of 上海勤瑞 to the carrying amount of the interest in an associate recognised in these consolidated financial statements:

	2021 HK\$'000	2020 HK\$'000
Net assets of 上海勤瑞	10,833	7,283
Less: Non-controlling interests of 上海勤瑞's subsidiaries	(6,847)	(4,550)
	<b>3,986</b>	2,733
Proportion of the Group's ownership interest in 上海勤瑞	49%	49%
	<b>1,953</b>	1,340
Proportion of the Group's interest in 上海勤瑞	<b>8,562</b>	8,317
Loan to 上海勤瑞	<b>8,562</b>	8,317
	<b>10,515</b>	9,657
Carrying amount of the Group's interest in 上海勤瑞	<b>10,515</b>	9,657

## 20. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	16,356	8,090
Work in progress	3,029	1,230
Finished goods	8,860	4,487
	<b>28,245</b>	13,807

During the year, a reversal of allowance of HK\$4,025,000 (2020: a reversal of allowance of HK\$1,060,000) was recognised in cost of sales for obsolete and slow-moving inventory items identified.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Trade receivables arising from:		
Medical products and plastic toys business and garments trading and sourcing ( <i>Note a</i> )	17,639	31,631
<i>Less: allowance for ECL</i>	<i>(3,080)</i>	<i>(9,554)</i>
	<b>14,559</b>	22,077
Securities brokerage business ( <i>Note b</i> ):		
– Margin clients	184,324	203,325
– Clearing house	–	–
<i>Less: allowance for ECL</i>	<i>(81,969)</i>	<i>(86,534)</i>
	<b>102,355</b>	116,791
Total trade receivables	<b>116,914</b>	138,868
Purchase deposits, other receivables and deposits	<b>27,137</b>	59,472
Prepayments	<b>1,717</b>	2,379
Total trade and other receivables and prepayments	<b>145,768</b>	200,719

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

- (a) The Group allows an average credit period of 60 days to its trade customers from medical products and plastic toys business and garments trading and sourcing. The following is an aged analysis of trade receivables net of allowance for ECL from medical products and plastic toys business and sourcing presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2021 HK\$'000	2020 HK\$'000
Within 30 days	11,244	7,602
31 to 90 days	862	5,502
91-365 days	1,353	4,632
Over 365 days	1,100	4,341
	<b>14,559</b>	<b>22,077</b>

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

- (b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.

Trade receivables from margin clients, net of individually impaired receivables, amounting to HK\$77,964,000 (2020 HK\$107,378,000) as at 31 December 2021 are secured by clients' pledged securities with fair value of HK\$70,093,000 (2020: HK\$65,902,000). All of the pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest at Hong Kong Prime rate plus margin that ranges from 8% to 15% (2020: ranges from 8% to 15%) per annum. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

Details of impairment assessment are set out in note 34.

The Group has concentration of credit risk as 64% (2020: 76%) of the total loans to margin clients was due from the Group's five largest margin clients. The whole amount is secured by clients' pledged securities with the fair value of HK\$29,449,000 (2020: HK\$49,853,000) as at 31 December 2021. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

In determining the allowances for impaired margin loans to margin clients, the management of the Group considers the margin shortfall by comparing the market value of stock portfolio and the outstanding balance of margin loan to securities margin clients individually. Impairments are made for those clients with margin shortfall as at year end and with no settlement after the year end.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. LOANS RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Loans receivables	1,235,023	1,241,287
Interest receivables	291,126	241,733
	<b>1,526,149</b>	1,483,020
Factoring loan receivables	<b>18,032</b>	13,860
	<b>1,544,181</b>	1,496,880
Loss allowance for ECL	<b>(91,473)</b>	(99,400)
	<b>1,452,708</b>	1,397,480
Analysed as:		
Secured	<b>303,281</b>	298,560
Unsecured	<b>1,149,427</b>	1,098,920
	<b>1,452,708</b>	1,397,480

The total amounts are repayable on demand or within one year from the end of the reporting period. Interest rate on the fixed rate loans receivables as at 31 December 2021 was ranged from 6% to 18% per annum (2020: from 6% to 8% per annum).

In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables and the estimated recoverable amount of the corresponding pledged assets of each borrower less cost to sell.

For the factoring loan receivables, the credit period granted to each of the customers is generally less than one year. The effective interest rate of the above factoring loan receivables is 15% per annum as at 31 December 2021 (2020: 10% to 15%).

In the event of default by customers, the Group might sell the collaterals, hence the management of the Group monitors the market value of collaterals to ensure the market values of collaterals at the end of reporting period are sufficient to cover the respective outstanding loan receivables from customers.

Loan receivables, net of individually impaired receivables, amounting to HK\$285,249,000 (2020 HK\$284,700,000) as at 31 December 2021 are secured by clients' pledged securities with fair value of HK\$266,620,000 (2020: HK\$182,557,000). All of the pledged securities are listed equity securities in Hong Kong.

Detail of impairment assessment are set out in note 34.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 23. FINANCE LEASE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance lease receivables	8,303	8,066
Loss allowance for ECL	<b>(8,303)</b>	(8,066)
	-	-
Analysed as:		
– Current	-	-
– Non-current	-	-
	-	-

### Details of leasing arrangements

The Group has entered into finance lease arrangements to lease out certain of its production machinery and equipment with the remaining lease terms of 1 year. At the end of the lease term of these finance leases, the lessee has the option to buy the machinery and equipment at nominal consideration. None of the lease contains contingent rentals. The contractual interest rates in the lease arrangements are fixed rate 7% per annum (2020: 7%).

### Amount receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Not later than one year	8,303	8,066	8,303	8,066
Later than one year and no later than five years	-	-	-	-
Later than five years	-	-	-	-
	8,303	8,066	8,303	8,066
Less: unearned finance income	-	-	-	N/A
Present value of minimum lease payments receivables	<b>8,303</b>	8,066	<b>8,303</b>	8,066

Details of impairment assessment are set out in note 34.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	122,955	63,047
Unlisted equity fund	4,015	25,557
Unlisted debt securities	20,622	16,830
	147,592	105,434
Analysed for reporting purpose as:		
Current assets	143,577	79,877
Non-current assets	4,015	25,557
	147,592	105,434

The Group recorded a gain on fair value changes of financial assets at FVTPL for the year ended 31 December 2021 of approximately HK\$3.8 million (2020: a gain of approximately HK\$12.0 million).

## 25. BANK BALANCES AND CASH

### Bank balances-trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has also recognised the corresponding trade payables to respective clients and other respective clients and other institutions (note 26). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

### Bank balances (general accounts) and cash

The amount comprises balances and cash held by the Group and short term bank deposits with original maturity within 3 months. At 31 December 2021, bank balances and short term bank deposits carried interest at market rates ranging from 0.01% to 3% (2020: 0.01% to 3%) per annum.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 26. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Trade payables arising from:		
Medical products and plastic toys business and garments trading and sourcing	22,886	21,755
Securities brokerage business		
– Cash clients	4,370	6,289
– Margin clients	4,763	18,965
– Clearing house	–	997
Total trade payables	32,019	48,006
Accrued expenses	7,335	10,253
Other payables	113,473	84,564
	<b>152,827</b>	<b>142,823</b>

The following is an aged analysis of trade payables from medical products and plastic toys business and trading of garments presented based on the invoice date at the end of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	17,500	7,617
31 to 90 days	2,436	1,442
Over 90 days	2,950	12,696
	<b>22,886</b>	<b>21,755</b>

The average credit period on purchases of goods from medical products and plastic toys business and garments trading and sourcing is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The settlement terms of trade payable arising from the securities brokerage business are two days after trade date or at specific terms agreed with clearing house. Trade payables to cash and margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

As at 31 December 2021, the trade payables amounting to HK\$9,139 (2020: HK\$26,536,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. BORROWINGS AND BONDS

	2021 HK\$'000	2020 HK\$'000
Bank overdrafts	–	5,006
Bank loans	–	3,010
Term loan	–	28,000
	–	36,016
Bonds	786,889	780,954
	786,889	816,970
Analysed as:		
Secured	–	36,016
Unsecured	786,889	780,954
	786,889	816,970
Carrying amount repayable for borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:*		
Within one year	–	33,214
More than one year but not more than two years	–	213
More than two years but not more than five years	–	669
More than five years	–	1,920
	–	36,016

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Movement of bank and term loans is as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	31,010	31,200
New borrowings raised	–	28,000
Disposal of subsidiaries	(29,297)	–
Repayment of the principal	(1,713)	(28,190)
As at 31 December	–	31,010

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 27. BORROWINGS AND BONDS (continued)

The carrying amounts of bonds are repayable as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	–	–
More than one year but not more than two years	–	–
More than two years but not more than five years	783,889	718,354
More than five years	3,000	62,600
	<b>786,889</b>	<b>780,954</b>
Less: Amounts due within one year shown under current liabilities	–	–
Amounts shown under non-current liabilities	<b>786,889</b>	<b>780,954</b>

Movement of the bonds is as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	780,954	767,677
Proceeds from the bond issue (cash flow)	–	3,000
Accrued interests	60,923	60,125
Interest paid (cash flow)	(33,815)	(24,708)
Interest payable (included in other payable)	(16,038)	(25,140)
Early redemption of bond	365	–
Repayments (cash flow)	(5,500)	–
At 31 December	<b>786,889</b>	<b>780,954</b>

As at 31 December 2020, the Group had aggregate outstanding borrowings comprising (i) bank borrowings of HK\$1,347,000 and bank overdrafts of HK\$1,991,000 secured by a property of the Group of HK\$7,000,000 and guaranteed by a director of a subsidiary of the Group, (ii) bank borrowing of HK\$1,663,000 and bank overdrafts of HK\$3,012,000 secured by properties owned by and guaranteed by a director of a subsidiary of the Group, and (iii) term loan of HK\$28,000,000 secured by the investment properties of the Group of HK\$38,600,000.

During the year ended 31 December 2020, the Group's bank loans were at variable-rate interest ranged from Hong Kong prime rate plus 1% per annum.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 27. BORROWINGS AND BONDS (continued)

During the year ended 31 December 2020, the Group's term loans is at fixed-rate interest at 10% and 15.6% per annum.

During the year ended 31 December 2021, the Group issued bonds with an aggregate principal amount of HK\$Nil (2020: HK\$3,000,000). The bonds are unsecured with maturity date falling on the eighth anniversary of the issue date, respectively. The interest rate of the bonds is fixed at 6% per annum (2020: 6% per annum), respectively, and the interest is paid annually.

### 28. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	2021 HK\$'000	2020 HK\$'000
Current	231	5,377
Non-current	198	422
	<b>429</b>	<b>5,799</b>

	Minimum lease payment		Present value of lease payment	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Minimum lease payment due:				
– Within one year	242	5,570	231	5,377
– More than one year but not more than two years	202	424	198	422
	<b>444</b>	<b>5,994</b>	<b>429</b>	<b>5,799</b>
Future finance charges	(15)	(195)		
Present value of lease liabilities	<b>429</b>	<b>5,799</b>		
Present value of lease liabilities Amounts due for settlement within one year (shown under current liabilities)			<b>(231)</b>	<b>(5,377)</b>
Amounts due for settlement after one year			<b>198</b>	<b>422</b>

The Group leases leasehold building for operation and these lease liabilities were measured at the present value of the lease payment that are not yet paid. All leases are entered at fixed prices.

The incremental borrowing rate applied to lease liabilities at 3.57% (2020: ranged from 2.50% to 7.51%).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 29. DEFERRED TAX (ASSETS)/LIABILITIES

The followings are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	<b>Difference between accounting and tax depreciation</b> <i>HK\$'000</i>	<b>Revaluation of properties</b> <i>HK\$'000</i>	<b>Loss allowance for ECL</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At and at 1 January 2020	(917)	12,547	(15,100)	(3,470)
Credit to profit or loss	–	–	(3,300)	(3,300)
Charge to other comprehensive income	–	3,009	–	3,009
Exchange realignment	–	–	–	–
At at 1 January 2021	(917)	15,556	(18,400)	(3,761)
Credit to profit or loss	–	–	(313)	(313)
Charge to other comprehensive income	–	1,200	–	1,200
Exchange realignment	–	604	–	604
At 31 December 2021	(917)	17,360	(18,713)	(2,270)

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements as there is no temporary differences attributable to accumulated profits of the PRC subsidiaries as well as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2021, the Group had unused tax losses of HK\$242,408,000 (2020: HK\$202,437,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$Nil (2020: HK\$2,299,000) that will expire within 5 years. Other losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. SHARE CAPITAL

	2021 HK\$'000	2020 HK\$'000
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.5 each	5,000,000	5,000,000
<b>Issued and fully paid:</b>		
767,741,379 ordinary shares of HK\$0.5 each	383,871	383,871
<b>Issued and partially paid:</b>		
1,535,482,758 ordinary shares of HK\$0.5 each	307,097	307,097
2,303,224,137 ordinary shares of HK\$0.5 each	690,968	690,968

## 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings HK\$'000	Lease liabilities HK\$'000	Bonds HK\$'000	Total HK\$'000
A 1 January 2020	36,001	10,833	767,677	814,511
Changes from financing cash flows	(190)	(5,034)	3,000	(2,224)
Interest expenses	3,237	484	60,125	63,846
Interest paid classified as operating cash flows	(3,237)	(484)	(24,708)	(28,429)
Interest payable (included in other payables)	–	–	(25,140)	(25,140)
Changes in bank overdrafts	205	–	–	205
A 31 December 2020 and 1 January 2021	36,016	5,799	780,954	822,769
Changes from financing cash flows	(1,713)	(127)	(5,500)	(7,340)
Disposal of subsidiaries	(34,295)	(367)	–	(34,662)
New lease entered	–	466	–	466
Early termination of lease	–	(5,342)	–	(5,342)
Interest expenses	889	13	60,923	61,825
Interest paid classified as operating cash flows	(889)	(13)	(33,815)	(34,717)
Interest payable (included in other payables)	–	–	(16,038)	(16,038)
Early redemption of bond	–	–	365	365
Changes in bank overdrafts	(8)	–	–	(8)
At 31 December 2021	–	429	786,889	787,318

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. SHARE OPTIONS

### 2012 Scheme

The Company adopted a share option scheme (the “2012 Scheme”), which was approved in the Company’s annual general meeting on 28 May 2012 with the view to motivate the eligible participants.

According to the 2012 Scheme, the board of directors of the Company may offer to grant an option to any full-time employees, executives or officers, directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

In general, the maximum number of shares in respect of which options may be granted under the 2012 Scheme and under any other share option scheme of the Company must not exceed 10% of the total number of shares in issue, excluding for this purpose shares which would have been issuable pursuant to option which have lapsed in accordance with the terms of the 2012 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant without prior approvals of the shareholders. Share options granted to connected persons in excess of 0.1% of the shares in issue or having a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders in general meeting.

The directors may in its absolute discretion determine the period during which an option may be exercised, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2012 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, the 2012 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2012 Scheme. The exercise price shall be determined by the board of directors and must not be less than the highest of (i) the official closing price of the Company’s shares on the date of grant, (ii) the average of the official closing price of the Company’s shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

No share option was outstanding as at 31 December 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that its subsidiaries will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remain unchanged from prior year.

The capital structure of the Group consists of net debt which includes borrowings and bonds disclosed in note 27, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, special reserve, property revaluation reserve, translation reserve, share option reserve, capital redemption reserve and accumulated profits, as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through new share issues, as well as issue of new debts and repayment of existing debts.

A subsidiary of the Company is regulated by the Hong Kong Securities and Futures Commission ("SFC") and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entity is subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R.

## 34. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Fair value through profit or loss (FVTPL)		
– Held-for-trading	122,955	63,047
– Others	24,637	42,387
Amortised cost	1,755,887	1,852,810
<b>Financial liabilities</b>		
Amortised cost	939,716	959,793

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies

#### *Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to equity instruments at FVTPL, financial assets at FVTPL, statutory deposit placed with clearing house, trade and other receivables, loan receivables and bank balances and cash. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivables and trade receivable arising from margin clients is mitigated because they are secured over properties or listed equity securities.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

#### *Trade receivables arising from contracts with customers*

The Group has concentration of credit risk as 38% (2020: 19%) and 89% (2020: 58%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the medical products and plastic toys business and trading of garment and securities brokerage business. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for trade receivables arising from cash and margin client, which are assessed for impairment individually, the remaining trade receivables is grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Provision of HK\$516,000 (2020: reversal of HK\$4,162,000) is recognised for medical products and plastic toy business and trading of garments during the year.

In respect of trade receivables arising from securities brokerage business, individual evaluations are performed on all clients (including cash and margin clients) based on underlying collateral. Cash clients are required to place deposits as prescribed in the Group's policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within two days after the trade date. The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its cash and margin clients and has policy to manage these exposures on a fair value basis. Margin loans due from margin clients are repayable on demand.

The reversal of HK\$4,565,000 (2020: provision of HK\$17,897,000) is recognized for securities brokerage business during the year. Details of the quantitative disclosures are set out below in this note.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### *Credit risk and impairment assessment (continued)*

##### *Bank balances*

Credit risk on bank balances are limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

##### *Other receivables*

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and quantitative and qualitative information that is reasonable and supportive forward-looking information. For the year ended 31 December 2021 and 2020, The Group provided impairment on other receivables based on 12m ECL. Details of the quantitative disclosures are set out below in this note.

##### *Loan receivables*

The directors of the Company estimate the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan receivables. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals and the amount of impairment made.

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

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade receivables (excepts for receivables from margin clients)</b>	<b>Other financial assets</b>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and finance lease receivables, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2021		2020	
					Gross carrying amount		Gross carrying amount	
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets at amortised cost</b>								
Loan receivables	22	N/A	Low risk	12m ECL	1,250,910		1,171,757	
			Doubtful	Lifetime ECL (not credit-impaired)	200,887		281,203	
			Loss	Credit-impaired	92,384	1,544,181	43,920	1,496,880
Bank balances	25	WR-Aal	N/A	12m ECL	158,923	158,923	256,785	256,785
Trade receivable arising from medical products and plastic toys business and trading of garments	21	N/A	Note 1	Lifetime ECL (provision matrix)	17,639	17,639	31,631	31,631
Trade receivable arising from margin clients	21	N/A	Low risk	12m ECL	24,392		11,896	
			Doubtful	Lifetime ECL (not credit-impaired)	56,850		80,311	
			Loss	Credit-impaired	103,082	184,324	111,118	203,325
Finance lease receivable	23	N/A	Low risk	12m ECL	-		-	
			Loss	Credit-impaired	8,303	8,303	8,066	8,066
Other receivables	21	N/A	Low risk	12m ECL	21,194		22,685	
			Loss	Credit-impaired	23,339	44,533	67,496	90,181

*Note 1:* For trade receivables arising from medical products and plastic toys business and trading of garments, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### *Credit risk and impairment assessment (continued)*

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its medical products and plastic toys business and garments trading and sourcing operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

	2021		2020	
	Average loss rate	Trade receivables HK\$'000	Average loss rate	Trade receivables HK\$'000
Within 30 days	1.25%	11,386	1.78%	7,740
31 to 90 days	1.15%	872	2.24%	5,628
91 to 365 days	2.73%	1,391	3.54%	4,802
Over 365 days	72.43%	3,990	67.75%	13,461
		17,639		31,631

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2021, the Group provided HK\$516,000 (2020: reversal of impairment of HK\$4,162,000) of impairment allowance for trade receivables arising from medical products and plastic toys business and garments trading and sourcing operation, based on the provision matrix.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### *Credit risk and impairment assessment (continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables arising from medical products and plastic toys business and garments trading and sourcing under the simplified approach.

	Lifetime ECL (not credit- impaired) <i>HK\$'000</i>	Lifetime ECL (credit- impaired) <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 1 January 2020</b>	<b>13,993</b>	–	<b>13,993</b>
Impairment losses reversed	<b>(4,162)</b>	–	<b>(4,162)</b>
Transfer to credit impaired	<b>(307)</b>	<b>307</b>	–
Write-offs	–	<b>(307)</b>	<b>(307)</b>
Exchange adjustments	<b>30</b>	–	<b>30</b>
<b>As at 31 December 2020 and 1 January 2021</b>	<b>9,554</b>	–	<b>9,554</b>
Impairment losses recognised	<b>516</b>	–	<b>516</b>
Disposal of subsidiary	<b>(7,023)</b>	–	<b>(7,023)</b>
Exchange adjustments	<b>33</b>	–	<b>33</b>
<b>As at 31 December 2021</b>	<b>3,080</b>	–	<b>3,080</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### *Credit risk and impairment assessment (continued)*

The following tables show reconciliation of loss allowances that has been recognised for finance lease receivables, loan receivables, trade receivables arising from margin clients and other receivables.

Movement in the allowances for impairment for finance lease receivables is as follows:

	<b>Lifetime ECL (credit- impaired) HK\$'000</b>
<b>As at 1 January 2020</b>	4,829
Impairment losses recognised	2,766
Exchange adjustments	471
<hr/>	
<b>As at 31 December 2020 and 1 January 2021</b>	8,066
Impairment losses recognised	–
Exchange adjustments	237
<hr/>	
<b>As at 31 December 2021</b>	<b>8,303</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

Movement in the allowances for impairment for loan receivables is as follows:

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
<b>As at 1 January 2020</b>	3,220	1,278	78,157	82,655
Transfer to credit-impaired	(34)	–	34	–
Transfer to lifetime ECL	(487)	11,469	(10,982)	–
Transfer to 12m ECL	42,117	(189)	(41,928)	–
Impairment losses recognised	11,813	48,776	10,612	71,201
Impairment losses reversed	(40,823)	(6,403)	(7,230)	(54,456)
<b>As at 31 December 2020 and 1 January 2021</b>	15,806	54,931	28,663	99,400
Transfer to credit-impaired	(1,656)	(1,972)	3,628	–
Transfer to lifetime ECL	(2,223)	2,223	–	–
Transfer to 12m ECL	49,775	(49,775)	–	–
Impairment losses recognised	4,738	46,159	62,179	113,076
Impairment losses reversed	(45,659)	(3)	(620)	(46,282)
Write-off	–	–	(74,721)	(74,721)
<b>As at 31 December 2021</b>	20,781	51,563	19,129	91,473

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

Movement in the allowances for impairment for trade receivables arising from margin clients is as follows:

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
<b>As at 1 January 2020</b>	1	–	68,636	68,637
Impairment losses recognised	–	6,732	21,382	28,114
Impairment losses reversed	(1)	(6,822)	(3,394)	(10,217)
<b>As at 31 December 2020 and 1 January 2021</b>	–	(90)	86,624	86,534
Transfer to credit-impaired	–	(183)	183	–
Transfer to lifetime ECL	–	13,386	(13,386)	–
Transfer to 12m ECL	9,832	(2,371)	(7,461)	–
Impairment losses recognised	–	4,279	6,137	10,416
Impairment losses reversed	(9,832)	–	(5,149)	(14,981)
<b>As at 31 December 2021</b>	–	15,021	66,948	81,969

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### *Credit risk and impairment assessment (continued)*

Movement in the allowances for impairment for other receivables is as follows:

	Lifetime ECL (not credit- impaired) <i>HK\$'000</i>	Lifetime ECL (credit- impaired) <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 1 January 2020</b>	–	15,273	15,273
Impairment losses recognised	–	22,259	22,259
Write-offs	–	(7,505)	(7,505)
Exchange adjustments	–	682	682
<b>As at 31 December 2020 and 1 January 2021</b>	–	30,709	30,709
Impairment losses recognised	560	33,493	34,053
Write-offs	–	(47,625)	(47,625)
Exchange adjustments	9	250	259
<b>As at 31 December 2021</b>	<b>569</b>	<b>16,827</b>	<b>17,396</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Market risk

##### (i) Currency risk

#### Foreign currency risk management

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of relevant group entities, including Renminbi (RMB), US dollar (US\$) and Hong Kong dollar (HK\$).

The functional currencies of the Group's principal subsidiaries are HK\$, US\$ and RMB. While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain sales and purchase transactions denominated in US\$ and HK\$. Hence, exposures to exchange rate fluctuations arises. The Group currently does not formulate any hedging policies against its exposure to currency risk. The Group will manage its foreign currency risk by closely monitoring the movement of the foreign currency rate and buying foreign currency forward contracts if it considers the risk to be significant.

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in currencies other than the functional currency of relevant group entity are as follow:

	2021 HK\$'000	2020 HK\$'000
<b>Monetary Assets</b>		
RMB	144	545
US\$	17,883	30,268
HK\$	14,602	910
<b>Monetary Liabilities</b>		
HK\$	9	11

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### (i) Currency risk (continued)

#### Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB, US\$ and HK\$.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. A negative/(positive) number below indicates an increase/(a decrease) in loss before tax for the year where the functional currency of the relevant group entity strengthens 5% (2020: 5%) against the relevant foreign currency. For a 5% (2020: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on loss before tax for the year.

	Monetary assets and liabilities	
	2021 HK\$'000	2020 HK\$'000
RMB impact	7	27
US\$ impact	99	1,297

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### **Market risk** (continued)

##### (ii) Interest rate risk

###### Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to cash and margin clients receivables (see note 21), variable-rate borrowings (see note 27) and bank balances (general accounts) (see note 25).

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposures on an ongoing basis and will consider hedging the interest rate should the need arises.

###### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and margin clients receivables, variable-rate borrowings and bank balances (general accounts) at the end of the reporting period. The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2021, if the interest rate had been 10 basis points (2020: 10 basis points) higher/lower and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK\$252,000 (2020: HK\$339,000).

###### Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bonds and term loan (see note 27 for details of these bonds).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### **Market risk** *(continued)*

##### *(iii) Equity price risk*

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

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate at 20% is applied as a result of the volatile financial market.

If the price of the respective held-for-trading investments had been 20% (2020: 20%) lower, the Group's loss for the year would increase by HK\$24,591,000 (2020: the Group's loss for the year would decrease by HK\$12,609,000).

In management's opinion the sensitivity analysis was unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

#### **Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and bonds and ensures compliance with loan covenants.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 month HK\$'000	31-90 days HK\$'000	91-365 days HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
2021								
Non-derivative financial liabilities								
Trade and other payables	-	152,827	-	-	-	-	152,827	152,827
Lease liabilities	3.51%	20	40	182	202	-	444	429
Bonds	6.00%	-	-	50,412	945,580	3,324	999,316	786,889
		152,847	40	50,594	945,782	3,324	1,152,587	940,145

	Weighted average interest rate	On demand or less than 1 month HK\$'000	31-90 days HK\$'000	91-365 days HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
2020								
Non-derivative financial liabilities								
Trade and other payables	-	135,206	7,617	-	-	-	142,823	142,823
Variable rate								
- borrowings	5.82%	8,016	-	-	-	-	8,016	8,016
Fixed rate - term loan	11.00%	28,000	-	-	-	-	28,000	28,000
Lease liabilities	5.68%	453	907	4,210	424	-	5,994	5,799
Bonds	6.00%	-	-	50,412	937,316	62,001	1,049,729	780,954
		171,675	8,524	54,622	937,740	62,001	1,234,562	965,592

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

Bank loans and a term loan with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2020, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK\$36,016,000. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks and lender will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans and a term loan will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details at which are set out in below table:

	Weighted average interest rate	On demand or less than 1 month HK\$'000	31-90 days HK\$'000	91-365 days HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>2020</b>								
<b>Non-derivative financial liabilities</b>								
Variable rate								
– borrowings	5.82%	5,028	46	208	1,099	2,239	8,620	8,016
Fixed rate – term loan	11.00%	257	513	29,413	–	–	30,183	28,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### (c) Fair value

The fair values of financial assets and financial liabilities measured other than fair value are determined in accordance with discounted cash flow analysis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value (continued)

#### **Fair value measurement of financial assets and financial liabilities**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management report the findings to the directors of the Company to explain the cause of fluctuations in the fair value.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31 December 2021 HK\$'000	31 December 2020 HK\$'000			
Listed equity investment held for trading	122,955	63,047	Level 1	Quoted bid prices in an active market	N/A
Unlisted securities	2,863	25,557	Level 3	Adjusted net asset value	N/A
Unlisted equity fund	1,152	–	Level 3	Direct comparison with trading multiples being the key input	Price to sales multiple of 7.9 (Note 1)
Unlisted debt securities	4,015 20,622	25,557 16,830	Level 3	Discounted cash flows with yield to maturity being the key input	Yield to maturity ranged from 7.4% to 15.1% (Note 2)
	24,637	42,387			

*Note 1:* An increase in the price to sales multiple used in isolation would result in an increase in the fair value measurement of the unlisted equity fund, and vice versa.

*Note 2:* An increase in the yield to maturity used in isolation would result in a decrease in the fair value measurement of the unlisted debt securities, and vice versa.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value (continued)

#### *Fair value measurement of financial assets and financial liabilities (continued)*

There were no transfers between fair value hierarchy in the current year.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

<b>Reconciliation of Level 3 fair value</b>	<b>Unlisted securities at FVTPL HK\$'000</b>
At 1 January 2020	10,451
Changes in fair value	467
Additions	32,469
Disposals	(1,000)
<hr/>	
At 31 December 2020	42,387
Changes in fair value	(10,773)
Additions	16,000
Disposals	(22,977)
<hr/>	
At 31 December 2021	24,637

Of the total losses for the period included in profit or loss, HK\$10,773,000 (2020: gains of HK\$467,000) relates to the unlisted securities at FVTPL held at the end of the current reporting period. Fair value changes of the unlisted securities at FVTPL are included in 'other gains and losses, net'.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (d) Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and the clearing house, the Group has a legal enforceable right to set off the money obligations receivable and payable with clearing house on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the trade receivables from and payables to securities brokerage business that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

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

	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position <i>HK\$'000</i>	Gross amounts of recognised financial assets presented in the consolidated statement of financial position <i>HK\$'000</i>	Related amounts not offset in consolidated statement of financial position		Net amounts <i>HK\$'000</i>	
			Financial instruments <i>HK\$'000</i>	Collateral received <i>HK\$'000</i>		
<b>2021</b>						
<b>Financial assets</b>						
Amounts due from clearing house and trade receivables from securities brokerage business	102,355	-	102,355	-	(70,093)	32,262
Statutory deposits placed with clearing house	205	-	205	(205)	-	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. FINANCIAL INSTRUMENTS (continued)

### (d) Financial asset and financial liabilities offsetting (continued)

	Gross amount of recognised as 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	Related amounts not offset in consolidated statement of financial position		Net amounts HK\$'000
				Financial instruments HK\$'000	Collateral received HK\$'000	
<b>2021</b>						
<b>Financial liabilities</b>						
Amounts due to clearing house and trade payables from securities brokerage business	9,133	-	9,133	-	-	9,133
	Gross amounts of recognised as financial assets after impairment 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	Related amounts not offset in consolidated statement of financial position		Net amounts HK\$'000
				Financial instruments HK\$'000	Collateral received HK\$'000	
<b>2020</b>						
<b>Financial assets</b>						
Amounts due from clearing house and trade receivables from securities brokerage business	122,922	(6,131)	116,791	-	(65,902)	50,889
Statutory deposits placed with clearing house	205	-	205	(205)	-	-
	Gross amount of recognised as 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	Related amounts not offset in consolidated statement of financial position		Net amounts HK\$'000
				Financial instruments HK\$'000	Collateral received HK\$'000	
<b>2020</b>						
<b>Financial liabilities</b>						
Amounts due to clearing house and trade payables from securities brokerage business	32,382	(6,131)	26,251	-	-	26,251

Note: The cash and financial collateral received/pledged as at 31 December 2021 and 2020 represent their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. RELATED PARTY DISCLOSURES

During the year, the Group had transactions with the directors of the Company or its related parties. The transactions during the year, are as follows:

### Compensation of key management personnel

The remuneration of key management during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Short-term employee benefits	3,028	3,015

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

## 36. DISPOSAL OF SUBSIDIARIES

### (a) Treasure Boom Holdings Limited and its subsidiary

On 14 April 2021, the Company entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Treasure Boom Holdings Limited ("Treasure Boom"), a wholly-owned subsidiary of the Company at a consideration of HK\$8,100,000. The net assets of the Treasure Boom and its subsidiary (collectively, the "Treasure Boom Group") at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:	<i>HK\$'000</i>
Investment properties	38,600
Cash and cash equivalents	3
Prepayment deposits and other receivables	211
Other payables and accruals	(2,791)
Borrowings	(28,000)
<b>Net assets disposed of</b>	<b>8,023</b>
Gain on disposal of Treasure Boom Group:	
Consideration	8,100
Net assets disposed of	(8,023)
<b>Gain on disposal of subsidiaries</b>	<b>77</b>
Net cash inflow arising on disposal:	
Cash consideration received	8,100
Less: cash and cash equivalents disposed of	(3)
	<b>8,097</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. DISPOSAL OF SUBSIDIARIES (continued)

#### (b) Smart Success International Enterprises Limited

On 4 September 2021, the Company entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Smart Success International Enterprises Limited ("Smart Success"), a wholly-owned subsidiary of the Company at a consideration of HK\$1. The net assets of the Smart Success at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:	HK\$'000
Property, plant and equipment	69
Trade and other receivables and prepayments	308
Cash and cash equivalents	1,907
<b>Net assets disposed of</b>	<b>2,284</b>
Loss on disposal of Smart Success	
Consideration	—*
Net assets disposed of	(2,284)
	<b>(2,284)</b>
Net cash outflow arising on disposal:	
Cash consideration received	—*
Less: cash and cash equivalents disposed of	(1,907)
	<b>(1,907)</b>

\* Less than HK\$1,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 37. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

### The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next year.

Undiscounted lease payments receivable on leases are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	448	2,812

## 38. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme.

The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

During the year ended 31 December 2021, the Group's contributions under the above-mentioned defined contribution retirement plan had no forfeited contributions may be used to reduce the existing level of contributions.

The employees of the Company's subsidiaries in the PRC and Taiwan are members of the state-managed retirement benefit schemes and defined contribution plan operated by the PRC and Taiwan government, respectively. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of payroll costs to the respective retirement benefit schemes and defined contribution plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes and defined contribution plan is to make the specified contributions.

The total cost of HK\$984,000 (2020: HK\$535,000) charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2021 and 2020 are as follows:

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current asset			
Investments in subsidiaries		267,594	267,594
Right-of-use asset		419	–
		<b>268,013</b>	267,594
Current assets			
Other receivables & prepayments		698	721
Amounts due from subsidiaries	(a)	1,598,714	1,594,851
Tax recoverable		–	450
Bank balances		3,669	3,251
		<b>1,603,081</b>	1,599,273
Current liabilities			
Other payables		73,649	57,868
Lease liability		231	–
Amounts due to subsidiaries	(a)	507,649	506,664
		<b>581,529</b>	564,532
Net current assets		<b>1,021,552</b>	1,034,741
Total assets less current liabilities		<b>1,289,565</b>	1,302,335
Capital and reserves			
Share capital		690,968	690,968
Reserves	(b)	(188,490)	(169,587)
Total equity		<b>502,478</b>	521,381
Non-current liability			
Bonds		786,889	780,954
Lease liability		198	–
		<b>787,087</b>	780,954
		<b>1,289,565</b>	1,302,335

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) **Amount(s) due from (to) subsidiaries**

The amounts are unsecured, interest-free and repayable on demand.

(b) **Reserves**

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	352,753	244,461	1,270	(245,954)	352,530
Loss for the year	-	-	-	(522,117)	(522,117)
At 31 December 2020	352,753	244,461	1,270	(768,071)	(169,587)
Loss for the year	-	-	-	(18,903)	(18,903)
At 31 December 2021	352,753	244,461	1,270	(786,974)	(188,490)

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities (note i)
			Directly		Indirectly		
			2021 %	2020 %	2021 %	2020 %	
中山隆成啟航商貿有限公司	PRC	US\$6,240,000 Registered Capital	-	-	100	100	Manufacturing and trading of medical products
Lerado H.K. Limited	HK	HK\$5,000 Ordinary Share	-	-	100	100	Trading of medical products
BlackMarble Capital Limited	HK	HK\$1 Ordinary Share	-	-	100	100	Money lending
Oriental Strategic Limited	BVI	US\$50,000 Ordinary Share	100	100	-	-	Investment holding
Brilliant Summit Limited	HK	HK\$10,000 Ordinary Share	-	-	-	100	Trading of garment accessories
Lerado Group Limited	BVI	HK\$10,702 Ordinary Share	100	100	-	-	Investment holding
Wonder Time Holdings Limited	BVI	HK\$1 Ordinary Share	-	-	100	100	Trading of held-for-trading investments
Shanghai Lerado Co. Ltd.	PRC	US\$6,260,000 Registered Capital	-	-	100	100	Manufacturing and trading of nursery products

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities (note i)
			Directly		Indirectly		
			2021 %	2020 %	2021 %	2020 %	
Treasure Boom Holdings Limited	BVI	US\$1 Ordinary Share	-	100	-	-	Investment holding
廣州凱潤企業管理服務有限公司	PRC	US\$5,000,000 Registered Capital	-	-	100	100	Property holding
駿勝世紀科技(深圳)有限公司	PRC	RMB1,000,000 Registered Capital	-	-	100	100	Research and development for electric scooters, wheels
Black Marble Securities Limited	HK	HK\$330,000,000 Ordinary Share	-	-	100	100	Securities brokerage, margin financing and underwriting and placements
Black Marble Global Investment Fund SPC (note ii)	Cayman Islands	N/A	-	-	100	100	Investment fund
Smart Success International Enterprises Limited	HK	HK\$1 Ordinary Share	-	-	-	100	Investment holding
Lerado Finance Limited	HK	HK\$1 Ordinary Share	-	-	100	100	Money lending
First Platform International Limited	BVI	HK\$1 Ordinary Share	100	100	-	-	Investment holding
Genuine Oriental Wealth Management Limited	HK	HK\$1 Ordinary Share	-	-	80	80	Insurance brokerage

### Note:

- (i) The principal activities of the subsidiaries are carried out in the place of incorporation/establishment.
- (ii) The Group had consolidated a structured entity which includes asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

Third-party interests in consolidated structured entities consist of third-party unit/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders. There is no third-party interests in the consolidated structured entities as at 31 December 2021.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## Financial Summary

### RESULTS

	Year ended 31 December				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
REVENUE	224,221	246,313	247,592	207,831	215,287
LOSS BEFORE TAXATION	(611,959)	(64,151)	(95,371)	(21,026)	(62,894)
INCOME TAX (EXPENSE)/CREDIT	76,959	(3,509)	9,153	8,756	(44)
Profit (loss) for the year from continuing operation	-	-	-	(12,270)	(62,938)
Profit (loss) for the year from discontinued operation	-	-	-	(1,713)	(2,994)
LOSS FOR THE YEAR	(535,000)	(67,660)	(86,218)	(13,983)	(65,932)
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	(534,962)	(68,090)	(86,170)	(13,785)	(65,709)
NON-CONTROLLING INTERESTS	(38)	430	(48)	(198)	(223)
	(535,000)	(67,660)	(86,218)	(13,983)	(65,932)

### ASSETS AND LIABILITIES

	At 31 December				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
TOTAL ASSETS	2,292,224	2,196,739	2,070,372	2,113,199	2,031,070
TOTAL LIABILITIES	(995,186)	(1,002,212)	(962,189)	(998,702)	(975,393)
	1,297,038	1,194,527	1,108,183	1,114,497	1,055,677
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	1,296,838	1,193,897	1,107,601	1,114,113	1,055,516
NON-CONTROLLING INTERESTS	200	630	582	384	161
	1,297,038	1,194,527	1,108,183	1,114,497	1,055,677