



Empower Your Wealth with Our Talent

ANNUAL REPORT 2021

CASH Financial Services Group Limited
(Stock Code : 510)



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COMPANY PROFILE

CASH Financial Services Group (“CFSG”; SEHK: 510), the holding company of CASH Wealth Management Limited and Celestial Securities Limited, has been providing wealth management, securities and futures brokerage services since 1972.

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

CFSG is one of few full-licensed Hong Kong financial services institutions currently holding four types of SFC licenses – Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management). Providing comprehensive financial and wealth management services including investment, wealth management, asset management and corporate financing, CFSG is also a licensed money lender in Hong Kong, a licensed insurance broker registered by the Hong Kong Insurance Authority, and a principal intermediary registered by the Hong Kong Mandatory Provident Fund Authority. Other diversified products and services include securities and futures trading, IPO and placing, margin financing, asset management, insurance, corporate financing and secretarial services, funds and bonds, Hong Kong Mandatory Provident Funds, overseas properties, investment immigration and overseas education advisory services.

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

CFSG is branching out beyond firm foundations in Hong Kong to extend global reach and embrace historic opportunity in China, where the Group established branches in the two major international financial centres of Shanghai and Shenzhen in 2001 and 2004, respectively to provide wealth management services to clients in the Yangtze River Delta and the Pearl River Delta regions. In 2018, CASH Wealth Management Limited, a subsidiary of CFSG, was among the first Hong Kong financial institutions authorised by the Asset Management Association of China to provide Hong Kong stock investment advisory services to Mainland asset management firms. In full support of China’s National Economic Development Plan to integrate the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta, CFSG has strengthened institutional cooperation and strategically expanded operations in the regions to capture the thriving developments resulted from the National Plans. Wealth management centres are established in Hong Kong, Shanghai, Shenzhen, Guangzhou and Dongguan, with more centres and strategic alliances planned in the Greater Bay Area and Yangtze River Delta region to provide even more comprehensive wealth management and financial services to local residents and financial institutions. CFSG also operates overseas via its affiliated companies in Taiwan – extending one-stop financial services to corporations, financial institutions and individual investors in the region.

At Forefront of FinTech, Innovating Financial Services

CFSG is at the forefront of FinTech development and innovation, investing significantly in its digital platforms to enhance user experience and operational efficiency. Since becoming the first financial institution in Hong Kong to provide online securities and futures trading services in 1998, CFSG has continued improving efficiency of its trading platform – introducing various cutting-edge technology systems and services that meet growing client needs and expectations for speedy and convenient trading services, and thereby increasing client satisfaction. In 2010, CFSG was the first Hong Kong financial institution to launch stocks and futures trading apps for iPhone, iPad and Android. In 2018, CFSG launched the mobile trading app, Alpha i – employing most advanced technology such as big data and artificial intelligence (A.I.) to provide FinTech services to a new generation of tech-savvy and mobile-driven millennial investors. In order to enhance user trading experience, the Group launched a fully upgraded version of Alpha i in 2021.

Professional Management with Wide Range of Expert Experience

CFSG’s management team has extensive experience of the regional regulations and regulated activities in Hong Kong, Mainland China and global markets; comprising highly educated, qualified professionals in various specialties, including securities and futures, corporate lending, wealth and asset management, property investment, financial audit, legal and corporate governance. Group businesses are managed by responsible officers and representatives of these regulated activities under different established regulators in Hong Kong.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee (Chairman, ED & CEO)
LI Shing Wai Lewis (ED & CFO)
KWAN Teng Hin Jeffrey (ED)
CHEUNG Wai Lim William (ED & COO)

Independent Non-executive:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee
(alternate: KWAN Teng Hin Jeffrey)
LI Shing Wai Lewis
(alternate: CHEUNG Suet Ping Ada)

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.cfsg.com.hk

STOCK CODE ON MAIN BOARD

510

CONTACTS

Telephone : (852) 2287 8788
Facsimile : (852) 2287 8700

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

As the world continues fending-off the COVID-19 pandemic, investors have become more concerned about the post-pandemic economic outlook and strength of recovery. In the latter part of the year, concerns over inflationary pressure escalated as rising prices will only lead to falling living standards, eating into household buying power and stunting economic growth.

Despite ongoing pandemic challenges and market volatility caused by increased uncertainty of the global economic outlook, CFSG's development strategy to become "the trusted investment and wealth management advisor" in China remains on course.

During the year, CFSG delivered its strategic vision as a diversified investment and wealth management specialist as market volatility drove investors to seek protection and diversification from higher-returning assets, especially in light of imminent interest rate hikes.

Thanks to our earlier business transformation efforts, many of our clients started to preserve their assets with a more international allocation. During the year, we recruited teams of high calibre wealth management professionals and started to build our foundation in the Greater Bay Area (GBA). As a result, our wealth management business increased by 116.0%.

Towards the end of the year, we opened our first Wealth Management Centre in Hong Kong, strategically located in the centre of Causeway Bay, dedicated to serving clients across the GBA. Although the long-awaited border reopening did not happen as expected at the end of last year, the launch of the Wealth Management Connect in tandem with the Southbound China-Hong Kong Bond Connect should certainly boost industry growth.

With our strong presence in the GBA and Yangtze River Delta, our trusted track record in the financial services industry, together with our high brand equity and experienced professionals, CFSG is well-positioned to thrive in the GBA's investment and wealth management market. Apart from serving high-net worth individuals, CFSG has also devised business strategies to serving wealth management needs of corporates and high-net worth families.

To serve tech-savvy millennials we also upgraded our online trading platform with a new trading app "Alpha i 2.0", which facilitates trading across multiple markets with seamlessly synchronised real-time market data at their fingertips.

Looking ahead beyond the pandemic, demand for sustainable investing is on the rise. As we understand that achieving net-zero carbon emissions requires substantial investment by both the public and private sectors, CFSG will accelerate our pace in relevant areas to both seek opportunities to contribute to growing climate finance through greater climate stewardship, and offer more green investments for our climate-friendly clients.

On the other hand, intensifying global inflationary challenges and Russia's invasion of Ukraine threatening energy supplies will surely hit post-pandemic recovery and take a much heavier toll on world GDP growth. In tandem, wages will suffer greatly from declining purchasing power, in particular for the middle class. If wages are not adjusted to inflation, consumption and corporate profits are affected, leading to a possible economic recession. Rising inflation has a direct impact on consumer goods and financial products, especially to all employees who contribute to MPF, and investors for long-term investments.

In light of this, we will continue to bolster our wealth management business, offering more products and services for our clients to diversify their investments and hedge against these global financial risks. As 2022 marks our 50th anniversary since being established in 1972, we are confident that our well-developed, fully-fledged service platform can truly help our clients with their asset allocation to achieve their long-term investment objectives.

CFSG will continue to take a prudent development course while adopting a cautious spending approach. As global financial risks increase in tandem with the sea of opportunities, we will always be hoping for the best, while preparing for the worst.

I would like to express our appreciation to our teams of professionals who remain unwavering amidst the pandemic. We take pride in their dedication to recruiting new clients and providing the utmost to serving our clients while upholding our principle of "clients' interests come first".

Yours sincerely,



Dr Bankee P. Kwan, JP
Chairman & CEO

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group recorded revenue of HK\$96.9 million, representing a decrease of 6.6% as compared with HK\$103.7 million in 2020.

As global economic recovery was on track in 2021, most global stock markets rebounded and recorded highs. The US stock market turned in a solid performance, amid historically high inflation and supply chain disruptions. S&P 500 gained 26.9% and the Dow Jones Industrial Average gained 18.7%. The stock market benefited from the US Federal Reserve keeping interest rates near zero throughout 2021, while continuing to pump billions of dollars into markets each month – measures that encouraged investors to seek out higher-returning assets, like stocks, and contributed to higher inflation. Our earlier efforts to transform our business into a diversified investment and wealth management specialist paid off, as market volatility encouraged our clients to start preserving their assets with more international diversification. With strong, high calibre wealth management professionals to promote this diversification, our wealth management business recorded 116.0% growth. Hong Kong's economy also started to pick up in the second quarter of 2021. However, the Hong Kong stock market continued to languish in negative sentiment of the pandemic, tightening control over internet-related business in China, and fear of tightening monetary policy by the Federal Reserve. The Hang Seng Index closed at 23,398 at 2021 year-end, down 14.08% from 2020, while the H-share index closed 23.3% down at 8,236. Both benchmark indices underperformed global and Asian stock markets, and Hong Kong was one of the world's worst-performing major equity markets of the year. While average daily turnover in Hong Kong's securities market increased compared to 2020, the number of newly listed companies dropped by 36.4%, and funds raised by IPOs also decreased by 17.8%. As the local stock market exhibited considerable volatility in 2021, more clients opted for the Group's asset management business, preferring high quality tailor-made investment strategies to cope with market changes. As a result, despite the downturn of Hong Kong's stock market and uncertain economic outlook, the Group's asset management business recorded 62.2% growth in revenue compared with 2020. On the other hand, our other retail clients chose to flee the highly volatile stock markets to avoid suffering huge trading and investment losses. As a result, our brokerage business recorded a drop of 19.2% in commission income for 2021, while our interest income maintained nearly the same as last year's performance. Pursuant to the Group's continuous effort to contain our operating costs within its cost rationalisation programme – such as streamlining our workforce and reviewing organisational structure – our operating costs had been reduced as compared with last year. For treasury function, the Group recorded a net loss of HK\$14.7 million on its portfolio of investment securities

held for trading due to the downturn of Hong Kong stock market in 2021.

Taking into account the aforesaid net loss on portfolio of investment securities held for trading, the Group recorded a net loss of HK\$53.5 million for the year ended 31 December 2021 as compared to a net loss of HK\$39.1 million last year. As part of our response to the pandemic, we have followed business continuity processes from our Board-endorsed COVID-19 Business Continuity Plan. Our Business Continuity Plan places the perseverance of our staff's health and wellbeing at the highest priority by implementing work from home arrangements for non-essential and vulnerable employees. Due to the effective mitigation efforts from our COVID-19 Business Continuity Plan, COVID-19 had limited impact on our financial results.

Impairment Allowances

Impairment allowance consisted of provision for credit losses on accounts receivables arising from margin financing and loans receivable, the Group performs impairment assessment on these financial assets under the impairment framework and methodology of expected credit loss ("ECL") model established by the Group in accordance to HKFRS 9 "Financial instruments". In order to minimise the credit risk on accounts receivables arising from margin financing and loans receivable, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on delinquent receivables. The assessment is based on a close monitoring and evaluation of collectability and on management's judgement, including but not limited to ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, and consideration of forward looking factors. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The accounts receivables arising from margin financing are collateralised by pledged shares of margin clients. As at 31 December 2021, the Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the five largest clients represent approximately 45.7% of total accounts receivable from margin clients. During the year, additional impairment allowance of approximately HK\$0.5 million for a total of HK\$98.3 million margin loans on the accounts receivables arising from margin financing was recognised, where the underlying collaterals were less than the outstanding loan amounts. As at 31 December 2021, the Group had concentration risk on loans receivable as 37.6% of the outstanding balance is from the top borrower. During the year, additional impairment allowance of

FINANCIAL REVIEW

approximately HK\$1.4 million on the loan receivable was recognised for a total of HK\$42.6 million loan receivables. The Group adopts a prudent provisioning policy in respect of these margin loans. For credit-impaired accounts receivable from margin clients, the management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

Liquidity and Financial Resources

The Group's total equity amounted to HK\$412.4 million as at 31 December 2021 as compared to HK\$453.9 million as at 31 December 2020. The decrease in the total equity was mainly due to the reported loss, being contra with the fair value gain of financial assets at FVTOCI for the year under review and the exercise of share options in the Company during the year.

As at 31 December 2021, the Group had total outstanding borrowings of approximately HK\$133.3 million, composed of bank loans HK\$73.0 million and an unsecured loan from related party HK\$60.3 million. Bank borrowings of HK\$73.0 million were collateralised by its margin clients' securities pledged to the Group. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR.

As at 31 December 2021, our cash and bank balances including the trust and segregated accounts had slightly decreased to HK\$864.6 million from HK\$966.2 million as at 31 December 2020. The Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK\$162.4 million and HK\$41.2 million as at 31 December 2021 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2021 slightly increased to 1.50 times from 1.38 times as at 31 December 2020. The gearing ratio as at 31 December 2021, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 32.3% from 24.4% as at 31 December 2020. The increase in gearing ratio was mainly due to the increase in borrowings during the year under review. On the other hand, we have no material contingent liabilities at the end of the year.

The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash

balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been complied.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

On 31 December 2020, CIGL (a wholly-owned subsidiary of CASH, the substantial Shareholder) proposed to acquire additional shareholding interests in the Company from vendors upon exercise of their options in the Company at a price of HK\$0.75 per Share. The acquisitions triggered a conditional mandatory cash offers for the Shares upon completion and the acquisitions were approved by the independent shareholders of CASH at a special general meeting held on 14 May 2021. The cash offers were subsequently closed on 23 June 2021. The shareholding interest of CASH in the Company was increased from 86,140,854 Shares (approximately 35.5% of issued share capital) to 97,960,854 Shares (approximately 37.5% of issued share capital) upon the close of the cash offers. Details of the transaction were disclosed in the joint announcement dated 31 December 2020 and the subsequent announcements of the Company and CASH during the period from 12 January 2021 to 23 June 2021, and the composite offer document dated 2 June 2021.

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

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

Fund Raising Activities

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

Capital Commitments

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

Material Investments

As at 31 December 2021, the market values of a portfolio of investments held for trading amounted to approximately HK\$99.4 million. A net loss on investments held for trading of HK\$14.7 million was recorded for the year.

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

FINANCIAL REVIEW

FINANCIAL AND OPERATION HIGHLIGHTS

Revenue

(HK\$'m)	2021	2020	% change
Broking income	43.0	53.2	(19.2%)
Wealth management income	16.2	7.5	116.0%
Non broking and non wealth management income	37.7	43.0	(12.3%)
Group total	96.9	103.7	(6.6%)

Key Financial Metrics

	2021	2020	% change
Net loss (HK\$'m)	(53.5)	(39.1)	(36.8%)
Loss per share (HK cents)	(21.11)	(15.89)	(32.9%)
Total assets (HK\$'m)	1,295.6	1,468.5	(11.8%)
Cash on hand (HK\$'m)	203.6	234.1	(13.0%)
Bank borrowings (HK\$'m)	73.0	110.8	(34.1%)
Annualised average fee income from broking per active client (HK\$'000)	3.8	4.1	(7.3%)

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

Industry Review

The worst economic condition due to the COVID-19 pandemic may have come to pass for Hong Kong and other locations around the world. With the global economic recovery on track, the Hong Kong economy started to recover in the second quarter of 2021. The recovery has been sustained with the economy having expanded by 6.4% in real terms in 2021. Meanwhile, the unemployment rate was down from the cyclical peak of 7.2% in Dec 2020-Feb 2021 to 3.9% in Oct-Dec 2021 and is expected to edge down further should economic activities continue to revive.

While most global stock markets rebounded and recorded highs in 2021, the Hong Kong stock market took a battering, with the Hang Seng Index (“HSI”) having registered its biggest annual loss in a decade. Hong Kong is one of the world’s worst-performing major equity markets in 2021, particularly due to a series of Mainland China’s regulatory crackdown which resulted in unexpected policy headwinds for sectors such as technology, e-commerce, video games, gambling and education since the first quarter. Some other market stalwarts, such as Chinese banks, insurers and property developers, also had share prices retreated in 2021. The tightened regulatory measures in China called for a revaluation of all technology-related and platform economy Chinese companies.

The average daily turnover in Hong Kong’s securities market in 2021 was HK\$166.7 billion, up 29% when compared with the HK\$129.5 billion in 2020. The funds raised by IPOs in 2021 was HK\$328.8 billion, down 17.8% over 2020, while the number of newly listed companies in 2021 was 98, a decrease of 36.4% when compared with the 154 in 2020. The local stock market exhibited considerable volatility in 2021, with the HSI trading in a range of close to 8,500 points. The HSI ended lower by 14.1% to 23,398 at year-end.

Another bout of risk-off sentiment came in December, due to heightened concern over the growth outlook in the face of resurgence in COVID cases with virus variant - Omicron & Delta.

Given the elevated level of US inflation and further improvement in the US labour market, the Federal Reserve have announced a faster tapering of the central bank’s asset purchase program while having its first interest rate hike in March 2022. An expectedly higher interest rate environment in 2022 was seen as hurting business in general. The stock market shall stay volatile in the coming year.

Business Review

Despite inflation hitting a 39-year high and the persistent waves of Covid-19 infections, Wall Street’s main indexes hit new record highs during 2021. However, the HSI has been on track for the worst year in a decade and Hong Kong IPOs also shrank for the first time since 2007, as China’s clampdown on its biggest tech firms chilled sentiment. During the year, our brokerage business recorded a 19.2% decline in commission, while our IPO interest income decreased 28.0%.

Amid heightened regulatory challenges and a tense geopolitical stand-off between the US and China, there have been increasing concerns about the future of some Chinese Technology, Media, and Telecom (TMT) companies listed or planned to list in the US. Chinese TMT companies are accelerating their ‘homecoming’ plans and opting for secondary listing in Mainland China or Hong Kong. 2021 saw secondary listings of Baidu and Bilibili in Hong Kong and China Telecom in Shanghai. It is expected the momentum of IPO activities, especially for the Chinese TMT companies, will remain strong in 2022. The Group will continue leveraging the demand for IPO margin financing by promoting the business prudently to further grow our interest income.

Over the course of 2021, the relatively low interest rate environment had favourably amplified interest in wealth management products and services, due to their potentially higher investment yields and stronger preservation of purchasing power. Our Asset under Management (AUM) dropped by 5.4% compared with 2020, as we focused on top blue-chip stocks with visible and promising outlook for our clients.

To diversify and further broaden our revenue streams, CFSG is committed to transforming into a fully-fledged Wealth Management Advisory Group, providing ‘one-stop’ wealth management services to clients in Hong Kong and Mainland China, with particular focus on the Greater Bay Area (GBA) and Yangtze River Area. During the year, our wealth management business recorded a 116.0% increase compared to 2020.

With the formal launch of the two cross-border investment schemes - Wealth Management Connect and the Southbound China-Hong Kong Bond Connect by the PRC government in September 2021, the two-way opening-up of financial markets within the GBA not only facilitate the interaction of capitals which potentially attract a stronger influx of southbound fund flow into Hong Kong, but also allow retail investors to directly open investment accounts to satisfy their cross-border wealth management needs. We have already taken the first-mover advantage to leverage

MANAGEMENT DISCUSSION AND ANALYSIS

synergy with our long-established offices in China's financial centres Shenzhen and Shanghai and our customer services centers in Guangzhou and Dongguan to capitalise on this golden opportunity in all respects.

In light of the ever-increasing cross-border demand for wealth management products and services, CFSG announced the Grand Opening of its first Wealth Management Centre ("the Centre"), which provides premium and one-stop customer service in the city centre of Hong Kong Island in November 2021. CFSG is planning to recruit more than 200 front-line wealth management professionals within the GBA by the end of 2022 to better serve our wealth management clients. CFSG is set to continue to deliver fully-fledged wealth management solutions including brokerage, margin financing, IPO subscription, corporate wealth management, insurance products, asset management, funds, bonds, MPF products and etc., and to provide our GBA's customers with top-notch services to precisely satisfy their personalised wealth management needs. By further enhancing customer experience and to bring value to our clients, the Centre will also host a wide range of free workshops and seminars on topics covering family office services, financial trends, market outlook, overseas immigration and education planning advice.

Simultaneously, the Group have completed a major overhaul of our core online trading application, Alpha i, which was launched back in 2018. The all-new and fully-enhanced trading application namely "Alpha i 2.0 (阿爾發易)" was launched in Dec 2021, allowing our clients to trade across multiple markets with seamlessly synchronised real-time market data ranging from US stocks trading to grey market trading. By standardising and upgrading our front and back office trading systems, a more advanced and consistent trading experience can be reached across our mobile app, download version and web trading portal. Alpha i 2.0 greatly enhances our clients' user experience and further propels us into the era of financial digitalisation.

On the other hand, despite the escalating compliance-related and system-related costs in fulfilling the more stringent regulatory and supervisory requirements, CFSG will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to overcome the challenges ahead and pursue long-term business and profitability growth in line with our corporate mission and goals.

In light of vaccines availability upon the launch of a territory-wide COVID-19 Vaccination Programme by the HKSAR Government, the Group has strongly encouraged its critical personnel to get inoculated by offering incentives such as compensated and medical leaves, to mitigate

business disruptive risks amid COVID-19. It is in the Group's view as the vaccination rate goes higher, restrictions can be lifted gradually and eventually a high degree of normalcy can resume.

ESG Highlights

To enable our people and facilitate their work under the critical pandemic situation, we invested in our IT infrastructure and hardware for them to work flexibly at home or in office while having video meetings at ease.

In support of Hong Kong athletes and recognition of their outstanding achievements, CFSG offered a free HK\$100,000 wealth management and investment plan to all 2020 Tokyo Olympics medal-winners to help them manage their investments, enabling them to pursue their life goals while meeting their investment and wealth management needs at every stage of their life.

Outlook

Hong Kong was hit by the fifth wave of local epidemic in early 2022, with more stringent anti-pandemic and social distancing measures in response. The COVID-19 situation in Hong Kong has become more worrying. The plan for an orderly reopening of the border could be delayed, should the epidemic situation not be put under control in a timely manner. The prospect remains for a gradually resumption of quarantine-free travel with Mainland China, followed by the reopening of the border with the rest of the world, when a high vaccination rate among the local population is attained.

During the unstable pandemic situation prevalent throughout 2021, CFSG opted to take a conservative approach to preserve its capital strength by adopting cost containment measures, restructuring its back-office and taking a cautious stance in its lending and credit advance services.

Looking ahead, the mainland Chinese and Hong Kong economies are anticipated to recover gradually. China's policy makers are expected to unveil further supportive monetary and fiscal measures to cushion the domestic economic slowdown. The financial sector is expected to stay resilient, and may expand further against a more favourable economic environment and an improved business sentiment. We have faith in the prospect of Hong Kong brokerage and wealth management business and trust they are turning more reassuring and having adequate room for further growth.

MANAGEMENT DISCUSSION AND ANALYSIS

By further demonstrating our confidence in the development of the Greater Bay Area under the National 14th Five-Year Plan, CFSG will further optimise its business footprint and continue to invest in its second brand new Wealth Management Centre in New Territories in the second half of 2022 to offer top-notch financial services to our GBA's customers to satisfy their personalised wealth management needs.

The COVID-19 pandemic has accelerated a wave of digital transformation at an unprecedented pace with many companies switching to full digitalisation mode. Moving forward, CFSG is committed to accelerating innovative technology enhancement in its cross-platform trading solution, such as upgrading the functionality and performance of its web trading platform and mobile trading app. We strive for serving our customers aptly and elevating their Fintech experience.

By raising both CFSG's brand exposure and new Alpha-i 2.0 mobile trading app awareness, we will continue to kick-start a slew of digital and traditional promotion and marketing campaigns at reasonable costs to expand clientele; and to optimise user experience to attract more investors to open investment accounts through their mobile devices.

The tightening of listing requirements in the US for foreign companies is speeding up the seconding listing of US-listed Chinese companies in the Hong Kong stock market. These listings help attract more fund inflow, while also bringing diversity and vibrancy to Hong Kong's capital markets, further reinforcing Hong Kong's role as a fundraising centre. With sustained demand for IPO brokerage business, CFSG will continue to leverage IPO share subscriptions and margin financing to expand our Mainland clientele in order to boost relevant interest income.

Looking into 2022, the low interest rate environment amidst the pandemic era is unlikely to prolong, as the US Federal Reserve attempts to adopt a more hawkish stance towards monetary policy to control inflation which likely will entail interest rate hikes, and the shrinking of the Fed's balance sheet, with adverse impact on investment return on interest-bearing assets. Given the road to normalising policy, CFSG will continue to adopt prudent lending policies for our loan and margin finance business in view of the expected high market volatility and interest rate hikes. We strive for a well-diversified income stream by building a

fee-based wealth management product, asset management business and stable interest income from margin financing and loan businesses. We also expect our AUM to further increase along with the launch of our first CASH Prime Value Public Fund and OFC Private Fund within the second half of 2022 and will continue to pursue sustainable business growth prudently. With a decent AUM portfolio enabling us to capture business opportunities and synergies in the lucrative GBA market, we anticipate that the launch of this public fund will make a positive contribution to the Group in 2023, in terms of on-boarding new clients and introduction of new products.

As the brokerage market has been squeezed by cut-throat competition with zero commission fees and ultra-low interest rates, a market consolidation is anticipated ahead. We will look for business prospects there arise and seize the opportunity to further strengthen our presence serving our clients in the GBA.

Riding on CFSG's well-established brand - rooting in Hong Kong for 50 years, award-winning services and unique wealth management products, we are confident that CFSG will emerge as a leading Hong Kong-based technology driven financial services company, specialising in wealth management and investment products in the Greater Bay Area. We strive to deliver personalised and dedicated professional services to our clients with a holistic approach, helping them better plan wealth accumulation, preservation and heritage, while driving CFSG's sales and sustainable growth. We are also committed to fostering a caring corporate culture to unify teamwork - "One Team • One Mission" with shared vision, mission and values by every employee.

EMPLOYEE INFORMATION

As at 31 December 2021, the Group had 130 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK\$58.5 million.

BENEFITS

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

TRAINING

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN, JP

Chairman, ED & CEO

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

Dr Kwan, aged 62, joined the Board on 11 August 2000. He is responsible for devising the overall business strategy of the Group. Dr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Dr Kwan was also conferred an Honorary Doctorate degree in Business Administration. Dr Kwan is also a fellow of the Institute of Financial Accountants, UK, the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Marketing (HKIM). He is a Certified Professional Marketer (HK) of HKIM. He is a Justice of Peace (JP) of the HKSAR.

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

In addition to education, Dr Kwan is also active in serving the community. Currently, he is the deputy chairman of the Business Facilitation Advisory Committee (BFAC) and also the convenor of the Wholesale and Retail Task Force (WRTF) of BFAC; a non-executive director of the Mandatory Provident Fund Schemes Authority (MPFA); a standing committee member and vice convener (Hong Kong and

Macao Members) of the Chinese People's Political Consultative Conference (CPPCC), Shanghai Committee; executive vice president of Hong Kong-Shanghai Economic Development Association; a member of the 5th Council of the China Overseas Friendship Association; a member of the Election Committee for the Fourth, the Fifth and the Sixth Term of the Chief Executive Election of the HKSAR; a director, an executive committee member, past honorary advisor and past chairman of the Hong Kong Retail Management Association (HKRMA); a member of the Labour Advisory Board of the HKSAR; a member of the Marketing Management Committee of the Hong Kong Management Association (HKMA); a director of the Hong Kong Justice of Peace Association; an honorary advisor of Hong Kong Small and Medium Enterprises Association. Dr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR and an honorary advisor of the CEPA Business Opportunities Development Alliance.

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

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Lewis Shing-wai LI

ED & CFO

BBus, CPA(Aus), CPA

Mr Li, aged 48, joined the Board on 2 September 2019. He oversees the accounting and financial management functions of the Group. He has extensive experience in the fields of financial and accounting management. Mr Li received a Bachelor of Business Degree from Swinburne University of Technology, Australia. He is a Certified Practising Accountant of CPA Australia and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Li is also an executive director and the chief financial officer of CASH.

Jeffrey Teng-hin KWAN

ED

BA, MHKSI

Mr Kwan, aged 32, joined the Board on 12 June 2017. He is in charge of the strategic and corporate development of the Group. He has extensive experience in the fields of financial technology, corporate and strategic management, private equity and investment management. Mr Kwan received a Bachelor of Arts Degree in Psychology from The Johns Hopkins University, US. He is a member of the Hong Kong Securities and Investment Institute. He is the son of Dr Kwan Pak Hoo Bankee (the Chairman of the Group). Mr Kwan is also an executive director of CASH.

William Wai-lim CHEUNG

ED & COO

MBS, BA, CPA

Mr Cheung, aged 46, joined the Board in August 2021. He is in charge of the overall administrative and operational functions of the Group. He has extensive experience in the fields of banking, accounting and auditing. Mr Cheung received a Master of Business Studies Degree from the University of Kent at Canterbury, UK and a Bachelor of Arts (Hons) in Accountancy Degree from City University of Hong Kong. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

INED

Mr Cheng, aged 66, joined the Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. He is an honorary fellow of The Professional Validation Centre of Hong Kong Business Sector and a member of Young Industrialists Council Ltd. He is the chairman of The Hospital Authority New Territories West Cluster Hospitals Charitable Trust and is a member of the Medical Development Sub-committee of the Hospital Governing Committee of Tuen Mun Hospital. Mr Cheng was the winner of The Young Industrialist Awards for the year 1992, a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council, the president of the Lions Club of Tuen Mun and the President of Love U All Charitable Foundation. He was the chairman of The Federation of Hong Kong Watch Trades and Industries Limited and is currently an advisor of the Federation and the chairman of The Federation of Hong Kong Watch Trades and Industries Charitable Trust. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

John Kwok-hung LO

INED

MBA, LL.B, FCCA

Mr Lo, aged 63, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance fields. He received a Master of Business Administration Degree from The Oklahoma City University, US and a Bachelor of Laws Degree (LL.B) from The University of London, UK. Mr Lo is a fellow of The Association of Chartered Certified Accountants. Mr Lo is also a member of the Audit Committee.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Charles Ming-chi LO

INED

CPA(Aus), FFSI

Mr Lo, aged 72, joined the Board on 27 October 2008. Mr Lo has extensive professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He is a Certified Practising Accountant of the CPA Australia, and a fellow member of the Financial Services Institute of Australasia. Mr Lo is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

SENIOR MANAGEMENT

Ada Suet-ping CHEUNG

Company Secretary

ACG, HKACG, CPA, FCCA

Ms Cheung, aged 49, joined the Group in September 2021. She is in charge of the company secretarial matters of the Group. She has extensive listed company secretarial experience. She is an associate of The Chartered Governance Institute, UK and The Hong Kong Chartered Governance Institute, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. In addition to taking the role as company secretary of the Company, Ms Cheung is also the company secretary of CASH.

Carrie Chiu-mei LAW

Director, Human Resources & Administration

BBA

Ms Law, aged 48, joined the Group in August 2001. She is in charge of the human resources and administrative functions of the Group. She has extensive experience in human capital management, including strategic human resources planning, talent management, succession planning and human resources measurements. She is also experienced in managing human resources and administrative operations across regional offices. Ms Law received a Bachelor of Business Administration (Hons) Degree in Human Resources Management from the Hong Kong Baptist University. She is a professional member of Hong Kong Institute of Human Resources Management. She is also appointed as Assessor for the Recognition of Prior Learning Scheme with Vocational Training Council. Ms Law is also the Director of Human Resources & Administration of CASH.

Eddie Ka-chi FUNG

Chief Executive Officer, CASH Wealth Management

MFin, BBA, FLOMA

Mr Fung, aged 47, joined the Group in July 2021. He is responsible for developing the Group's wealth management business. He has extensive experience in wealth management industry, especially in business development and transformation, distribution expansion, driving sales and talent development. Mr Fung received a Master of Finance Degree from the National University of Ireland, Dublin and a Bachelor of Arts Degree in Business Administration from University of Sunderland, UK. He is a fellow of the Life Office Management Association.

Samuel Chui-keung YIP

Managing Director and Head of Greater Bay Area

LL.B., BEdon

Mr Yip, aged 55, joined the Group in October 2021. He is in charge of the business finance development in the Greater Bay Area of the Group. He has more than 30 years of banking experience, including 10 years as a senior executive in the Treasury Department of a top-tier bank in the fields of foreign exchange, interest rates, stocks and hedging products. In addition, he used to provide syndicated loan services and project financing services to many state-owned enterprises and private enterprises, servicing more than 50 industries. Mr Yip received a Bachelor of Laws degree from the Manchester Metropolitan University, UK and a Bachelor of Arts Degree in Economics from the University of Nottingham, UK.

Patrick Ho-yin YIU

Managing Director, Asset Management

BEcon

Mr Yiu, aged 48, joined the Group in April 2006. He is in charge of the asset management services of the Group. He has extensive experience in the financial services and asset management fields. Mr Yiu received a Bachelor of Economics Degree from The Chinese University of Hong Kong. He is a responsible officer of CASH Asset Management and CASH Wealth Management.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Kit-cheung PANG

Managing Director, Business Finance

MBA

Mr Pang, aged 52, joined the Group in January 2021. He is in charge of the business finance development of the Group. He has extensive experience in the fields of corporate banking and business finance. Mr Pang received a Master of Business Administration Degree from The Open University of Hong Kong.

Angelo Yen-chuan LIN

President, Greater China

MBA, EMBA, BEng, TFA, MCNFA, CFP

Mr Lin, aged 48, joined the Group in March 2021. He is in charge of the business development in the Greater China of the Group. He has extensive experience in authorised funds, private equity, managed futures, fixed income and equity funds, discretionary investment management services, commodity derivatives trading and advisory service fields. The investment team led by Mr Lin won first place in the Taiwan Futures Fund Diamond Award and the Taiwan Global Goblet Award for Outstanding Futures Expertise for himself. Mr Lin received a Master of Business Administration from Fordham University US, EMBA from China Center for Economic Research (CCER), Peking University of PRC, and a Bachelor of Engineering from Tamkang University of Taiwan. He is qualified as a Key Personnel for Hong Kong authorised funds, a Taiwan Futures Analyst and the committee member, coordinator of the Chinese National Futures Association in Taiwan, a Certified Financial Planner in PRC, and a lecturer of EUREX Exchange.

Bryan Kin-fan SO

Managing Director, Greater China

BFin

Mr So, aged 46, joined the Group in April 2021. He assists the President in managing the business development in the Greater China of the Group. He has extensive experience in operations and risk control of asset management fields. He has over 20 years' experience in the securities industry and has legitimate licenses for trading securities and commodities. Mr So received a Bachelor of Finance from The University of Hong Kong.

William Hon-kei CHAN

Managing Director, China Business

MBA, BSc

Mr Chan, aged 37, joined the Group in December 2007. He is in charge of the overall business development in mainland China of the Group. He has extensive experience in brokerage service and wealth management fields. Mr Chan received a Master of Business Administration Degree from Cheung Kong Graduate School of Business, China and a Bachelor of Science Degree in Biochemistry from The Hong Kong University of Science and Technology. He is a responsible officer of CASH Asset Management, CASH Wealth Management, Celestial Securities and Celestial Commodities.

Angela Cheuk-man PUN

Financial Controller

BSc, MPA, CPA(Aus)

Ms Pun, aged 39, joined the Group in December 2012. She is assisting the CFO in overseeing the financial and accounting matters of the Group. She has extensive experience in the fields of financial and accounting management. Ms Pun received a Bachelor of Social Sciences in Policy Studies and Administration from City University of Hong Kong and a Master of Professional Accounting from Deakin University, Australia. She is a Certified Practising Accountant of CPA Australia.

CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of the CG Code under Appendix 14 of the Listing Rules. For the year ended 31 December 2021, the Company has complied with all the code provisions of the CG Code, except for the deviation with explanation described below:

- (i) The Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the Board as a whole. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors.

Subsequent to the date of this report, the Nomination Committee has been established with specific written terms of reference, as revised from time to time, stipulating its authorities and duties, which are available on the Company's website and the HKEXnews. The Nomination Committee consists of three members, namely Dr Kwan Pak Hoo Bankee, Mr Cheng Shu Shing Raymond and Mr Lo Ming Chi Charles, a majority of whom are INEDs. Dr Kwan Pak Hoo Bankee is elected as the chairman of the Nomination Committee.

- (ii) Dr Kwan (Chairman of the Board) also acted as CEO of the Company during the underlying year. According to code provision A.2.1, the roles of Chairman and CEO of the Company should be separate. The dual role of Dr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The respective CEOs of each business units of the Group assisted Dr Kwan in performing the CEO's responsibilities. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high calibre individuals.

THE BOARD COMPOSITION

Up to the publication date of this report, the Board comprised 7 Directors (4 EDs and 3 INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs will also share their valuable impartial view on matters to be discussed at the board meetings. The biographies of the Directors are set out from pages 12 to 14 of this annual report under the "Board of Directors and Senior Management" section.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr Kwan Pak Hoo Bankee, the ED, Chairman of the Board and the CEO of the Company, is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. The CEOs of respective business units of the Group will be responsible for formulating business plans and monitoring the business operation and development of the Group, and report regularly to the Chairman. In addition, the 3 INEDs provide independent and impartial opinion on issues to be considered by the Board. The Board is of the opinion that the current Board structure functions effectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

ROLES AND RESPONSIBILITIES OF THE BOARD

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

CORPORATE GOVERNANCE REPORT

DELEGATION TO THE MANAGEMENT

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

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

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

CORPORATE GOVERNANCE REPORT

RELATIONSHIP BETWEEN THE BOARD MEMBERS

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

INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

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

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

Name of Directors	Covered areas ^(Notes)
Kwan Pak Hoo Bankee	(a) to (e)
Li Shing Wai Lewis	(b), (c), (e)
Kwan Teng Hin Jeffrey	(a) to (e)
Cheung Wai Lim William (<i>was appointed on 16 August 2021</i>)	(a), (b), (c), (e)
Kwok Ka Lok Lionel (<i>resigned on 1 March 2022</i>)	(b)
Ng Hin Sing Derek (<i>resigned on 16 August 2021</i>)	(b)
Cheng Shu Shing Raymond	(b), (e)
Lo Kwok Hung John	(b)
Lo Ming Chi Charles	(a) to (e)

Notes:

- (a) Global and local economy and financial market, general business environment
- (b) Regulatory and corporate governance and directors' duties and responsibilities
- (c) Finance, law and taxation
- (d) Leadership, management and language skills
- (e) Other information relevant to the Group's business

There is a procedure agreed by the Board to ensure the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code during the year.

DIRECTORS' INSURANCE

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

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

Name of Directors	Meetings attended/held					
	Executive Committee Meeting	Full Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Annual General Meeting	Special General Meeting
EDs						
Kwan Pak Hoo Bankee	9/9	7/7	N/A	1/1	1/1	2/2
Li Shing Wai Lewis	9/9	7/7	N/A	N/A	1/1	2/2
Kwan Teng Hin Jeffrey	9/9	7/7	N/A	N/A	1/1	2/2
Cheung Wai Lim William <i>(was appointed on 16 August 2021)</i>	4/4	7/7	N/A	N/A	N/A	2/2
Kwok Ka Lok Lionel <i>(resigned on 1 March 2022)</i>	9/9	7/7	N/A	N/A	1/1	2/2
Ng Hin Sing Derek <i>(resigned on 16 August 2021)</i>	5/5	2/2	N/A	N/A	1/1	N/A
INEDs						
Cheng Shu Shing Raymond	N/A	7/7	4/4	1/1	1/1	2/2
Lo Kwok Hung John	N/A	5/7	2/4	N/A	0/1	0/2
Lo Ming Chi Charles	N/A	7/7	4/4	1/1	1/1	2/2
Total number of meetings held:	9	7	4	1	1	2

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

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

BOARD MEETINGS AND PROCEEDINGS

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

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

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

CORPORATE GOVERNANCE REPORT

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

The Audit Committee comprises 3 INEDs, namely Mr Cheng Shu Shing Raymond (chairman of the committee), Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles.

The specific written terms of reference of the Audit Committee was revised on 17 November 2015 and is available on the Company's website.

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

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

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

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

The Remuneration Committee comprises 2 INEDs, Mr Cheng Shu Shing Raymond (chairman of the committee) and Mr Lo Ming Chi Charles, as well as Dr Kwan Pak Hoo Bankee (Chairman of the Board).

The specific written terms of reference of the Remuneration Committee as re-adopted on 7 February 2012 is available on the Company's website. Pursuant to the CG Code B.1.2(c)(ii) and the terms of reference adopted by the Remuneration Committee, its primary duties are to make recommendation to the Board on the Company's policies and structure of the remuneration of Directors and senior management and the remuneration packages of individual EDs and senior management. Details of the remuneration of each of the Directors for the year are set out in note 11 to the consolidated financial statements. The Remuneration Committee held 1 meeting during the year.

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

- i. determined and endorsed to the remuneration policy and structure for the Directors and senior management;
- ii. assessed the performance of executive Directors and reviewed their current level and remuneration structure/package and approved their specific remuneration package of executive Directors; and
- iii. reviewed and approved the cost rationalisation measures and business re-engineering plan of the Group.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY FOR THE DIRECTORS

Nomination of the Directors

The Company had adopted a nomination policy incorporating the board diversity policy for the criteria, procedures, and process of the appointment and removal of the Directors. The criteria to select candidates for directorship is based on a range of diversity perspectives, including gender, age, culture and educational background, professional skill, experience in relevant areas, personal qualities, and whether the candidate can demonstrate his commitment, competence and integrity required for the position of the Director, and in case of INEDs, the independence requirements set out in the Listing Rules and their time commitment to the Company. Nomination of new Director(s) will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard to the benefits of diversity of the Board and our business model and specific needs from time to time. Nomination of new Director(s) will normally be proposed by the Chairman and/or CEO subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

During the year, the Board as a whole regularly reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The independence of the INEDs was assessed according to the relevant rules and requirements under the Listing Rules.

During the year under review, 1 meeting was held by the executive Directors in resolving the appointment and resignation of EDs of the Company.

Remuneration policy of the Directors

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

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

The remuneration of EDs generally consists of:

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

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

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

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

DIVIDEND POLICY

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

1. Purpose

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

2. Vision

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

3. Power of the Board

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

CORPORATE GOVERNANCE REPORT

4. Governing rules

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

5. Approval

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

6. Review of this policy

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

7. Legal validity

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

SECURITIES TRANSACTIONS OF DIRECTORS

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

ACCOUNTABILITY AND AUDIT

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

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

(ii) Risk management process

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

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

(iii) Changes in market condition/external environment

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

CORPORATE GOVERNANCE REPORT

(iv) Financial reporting

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

(v) Internal audit

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

(vi) Inside information

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

(vii) Anti-money laundering

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

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

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

(viii) Whistle-blowing channels

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

CORPORATE GOVERNANCE REPORT

Overall assessment

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

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

During the year ended 31 December 2021, the Board is not aware of any material internal control deficiency or significant areas of concern that may affect Shareholders' interests.

COMMUNICATION WITH SHAREHOLDERS

The Directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGMs and SGMs, if any, which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases of the Company providing updated information of the Group; (iii) the holding of press briefings and media interviews from time to time; and (iv) the upkeeping of the latest information of the Group on the Company's website at www.cfsg.com.hk. The Shareholders and investors are welcome to visit such website.

In order to protect the environment and save costs for the benefit of the Shareholders, the Company has introduced electronic means for receiving corporate communication materials by the Shareholders. The Shareholders may choose to receive printed or electronic copies. In line with our social caring policies, the Shareholders are encouraged to get access to corporate communication materials of the Company through the Company's website.

Separate resolutions are proposed at each general meeting of the Company. The Company's notice to the Shareholders for the AGM was sent to Shareholders at least 20 clear business days before the meeting and notices of the SGMs (if any) were sent to Shareholders at least 10 clear business days before such meetings in year 2021.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a SGM and putting forward proposals at general meetings

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

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

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

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

Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or tel: (852) 2980 1333 or email: cfsg510@cash.com.hk.

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

CORPORATE GOVERNANCE REPORT

AUDITOR'S INDEPENDENCE AND REMUNERATION

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

Services rendered	Fees paid/payable
	HK\$
Audit services	2,200,000
Non-audit services:	
Tax advisory	357,240
Review of the continuing connected transactions	60,500
Review of the preliminary results announcement	21,800
	<hr/>
	2,639,540
	<hr/>

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 22 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

SCOPE OF REPORTING

Unless stated otherwise, the ESG Report covers the Group’s business activities of subsidiaries in Hong Kong, which represent the Group’s major source of investment and income. The ESG data and related ESG key performance indicator (“KPI”) that the Group has direct access to and is under the Group’s direct operational control of our three offices in Kowloon Bay, Mongkok, and Causeway Bay have been included in the ESG Report. As the office in Causeway Bay has operated since November 2021 and the installation was processing in October 2021, the ESG Report will therefore include the environmental key performance indicators (“KPIs”) of the office in Causeway Bay for October to December 2021.

REPORTING FRAMEWORK

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

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

- Materiality** The materiality assessment was conducted to identify material issues during the financial year ended 31 December 2021 (the “Reporting Period”), thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the ESG committee. Please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment” for further details.
- Quantitative** Supplementary notes are added along with quantitative data disclosed in the ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of emissions and energy consumption.
- Consistency** The preparation approach of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report on pages 16 to 28 of this annual report.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges, measures taken by, compliance and results of the Group during the financial year ended 31 December 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

Oversight of ESG Issues

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

The ESG Committee

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

TOTAL CARING ORGANISATION

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

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

STAKEHOLDER ENGAGEMENT

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

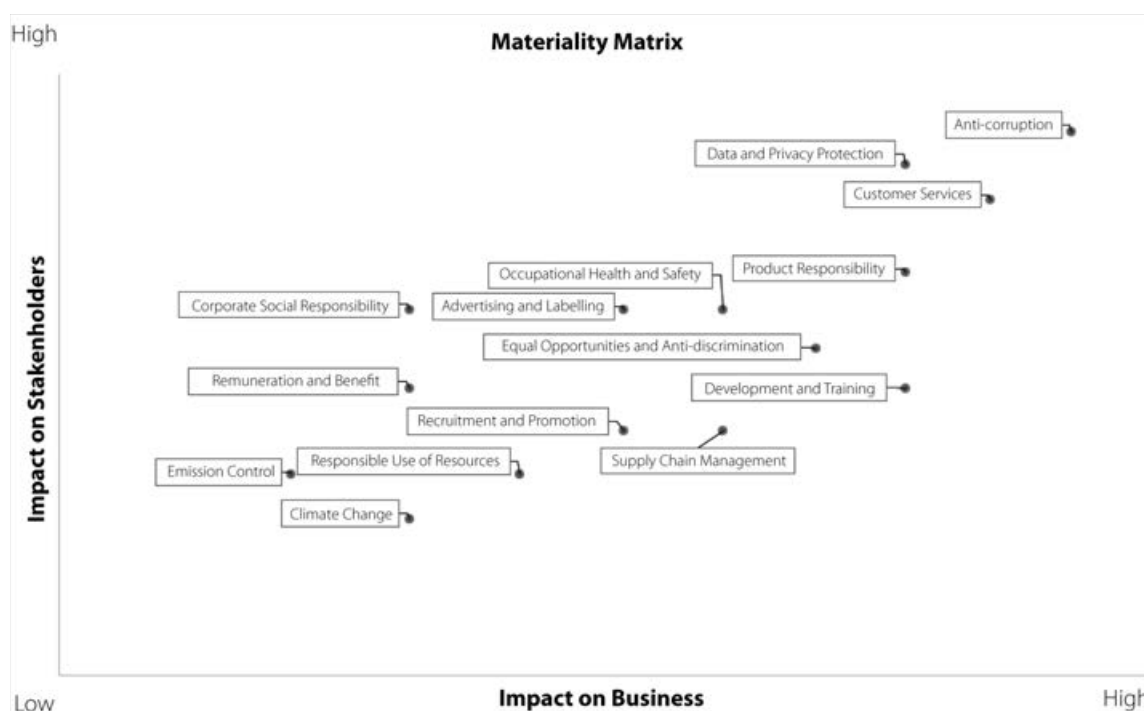
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

MATERIALITY ASSESSMENT

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTACT US

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

A. ENVIRONMENTAL

A1. Emissions

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

During the Reporting Period, the Group had received several awards which recognised our effort in promoting environmental protection. The awards include the Certificate of Merit of 2020 Hong Kong Awards for Environment Excellence (HKAAEE) in the "Servicing and Trading" sector, the "Excellence Level" Wastewise Certificate and the Hong Kong Green Organisation Certificate by the Environmental Campaign Committee. The Group strives to continuously improve our performance on environmental management.

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

Air Emissions

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

GHG Emissions

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

As a result of our effective emissions reduction initiatives, the Group's total GHG emissions intensity during the Reporting Period decreased by approximately 21.97%. To ensuring the effectiveness of the measures, the Group decided to set a target of reducing the total GHG emissions intensity (tCO₂e/million revenue) by 2025 compared to the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Summary of GHG emissions performances:

Scope of GHG emissions ¹	Unit ²	2021	2020
Direct GHG emissions (Scope 1)	tCO ₂ e	–	–
Energy indirect GHG emissions (Scope 2)	tCO ₂ e	130.68	179.11 ³
Total GHG emissions	tCO ₂ e	130.68	179.11
Total GHG emissions intensity ⁴	tCO ₂ e / million revenue	1.35	1.73

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, “How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, the Global Warming Potential Values from the IPCC Fifth Assessment Report, 2014 (AR5), the Sustainability Report 2020 issued by Hong Kong Electric.
2. tCO₂e is defined as tonnes of carbon dioxide equivalent.
3. Figure restated.
4. During the Reporting Period, the Group recorded a revenue of approximately HK\$96,863,000 (2020: HK\$103,688,000). The data is also used for calculating other intensity data.

Sewage Discharge

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

Waste Management

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

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

In our offices, waste separation facilities have been implemented. We also provide recycle bins for collecting scrap paper, plastic bottles, aluminum cans, and recyclable toner cartridges, which are then delivered to the recycling agents for further processing. During the Reporting Period, the Group collected a total of 1,163 pieces of aluminium cans, 1,174 pieces of plastic bottles, 2,673 kg of scrap paper and 45 pieces of toner cartridges at offices for recycling. It showed that our employees’ awareness on waste recycling is high.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

As a result of our effective waste reduction programmes, the Group’s paper disposal intensity during the Reporting Period decreased by approximately 6.89%. To ensuring the effectiveness of the measures, the Group decided to set a target of reducing the total non-hazardous wastes intensity (kg/million revenue) by 2025 compared to the Reporting Period.

Summary of major non-hazardous waste discharge performance:

Types of waste	Unit	2021	2020
Office paper	kg	2,656.10	3,053.69
Total non-hazardous wastes	kg	2,656.10	3,053.69
Total non-hazardous wastes intensity	kg / million revenue	27.42	29.45

A2. Use of Resources

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Management

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

1) Lighting

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

2) Office equipment

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

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

Due to the variation of revenue, the Group's energy consumption intensity during the Reporting Period increased by approximately 3.13%. Yet, our total energy consumption decreased by approximately 3.66% resulting from our effective energy conservation measures. To ensuring the effectiveness of the measures, the Group decided to set a target of reducing the total energy consumption intensity (kWh/million revenue) by 2025 compared to the Reporting Period.

Summary of energy consumption performance:

Types of energy	Unit	2021	2020
Direct energy consumption	kWh	-	-
Indirect energy consumption	kWh	345,117.00	358,213.00
• Electricity			
Total energy consumption	kWh	345,117.00	358,213.00
Total energy consumption intensity	kWh / million revenue	3,562.94	3,454.72

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Management

The Group does not consume significant amounts of water through our business activities. During the Reporting Period, our office in Causeway Bay consumed 7 m³ of water since October in 2021. Water usage in our offices in Kowloon Bay and Mongkok is included in the management fee as water supply facilities are provided and managed by property managers on our rental premises, no meter reading is therefore available. Water consumption intensity is not considered as an applicable performance indicator due to partial availability of data. During the Reporting Period, the Group targets to promote water conservation in our new office in Causeway Bay in the coming year.

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

Use of Packaging Material

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

A3. The Environment and Natural Resources

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

Working Environment

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

A4. Climate Change

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

Physical Risks

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Transition Risks

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

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

B. SOCIAL

B1. Employment

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

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

As at 31 December 2021, the Group had a total of 130 employees (2020: total 160 staff). Total workforce by gender, age group, geographical region and employment type is as follows:

	2021	2020
Total number of employees	130	160
Gender		
Male	80	92
Female	50	68
Age Group		
Below 30 years old	27	39
30 – 50 years old	77	96
Over 50 years old	26	25
Geographical region		
Hong Kong	130	160
Employment Type		
Full-time	123	156
Part-time	5	4
Temporary contract	2	–

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, Promotion and Dismissal

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

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

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

During the Reporting Period, the Group recorded a turnover rate of approximately 54.48% (2020: 37.11%). The turnover of employees was mainly due to the restructuring of the Group's operation. The table below shows the employee turnover rate by gender, age group and geographical region:

	2021
	Turnover rate⁵
Gender	
Male	33.79%
Female	20.69%
Age Group	
Below 30 years old	19.31%
30 – 50 years old	32.41%
Over 50 years old	2.76%
Geographical region	
Hong Kong	54.48%

Note:

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

Remuneration and Benefits

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Diversity and Equal Opportunities

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

Work-life Balance

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

B2. Health and Safety

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

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

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

Occupational Health and Safety

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3. Development and Training

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

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

During the Reporting Period, the Group has achieved a total training hour of 1,510 hours. The table below shows the employee training data by gender and employee category:

	Percentage of employees trained⁶	Average training hours (hours)⁷
Gender		
Male	92.25%	9.85
Female	73.75%	5.73
Employee Category		
Senior Management	78.57%	23.18
Middle Management	81.40%	16.71
General	86.84%	5.07

Notes:

6. Calculation methodology of percentage of employees trained: number of employees in the specified category who took part in training divided by number of employees in the specified category.
7. Calculation methodology of average training hours: total training hours of employees in the specified category divided by number of employees in the specified category who took part in training.

B4. Labour Standards

Prevention of Child and Forced Labour

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

B5. Supply Chain Management

Supply Chain Management

The Group is committed to creating a sustainable relationship with our suppliers and consultants through operating in an open and fair manner. Our major suppliers mainly consist of hardware and software providers. During the Reporting Period, the Group has engaged 10 major suppliers, all of which located in Hong Kong.

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

Green Procurement

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

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

B6. Product Responsibility

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Services

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

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

During the Reporting Period, the Group has received 3 responses from our customers. The Group communicated with the clients and delegated responsible departments to understand the issues immediately. All complaints are handled promptly under the procedures set out in our internal policy and were reviewed in the monthly compliance meeting.

Safeguarding Customer Assets

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

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

Handling of Personal Data

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

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

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

Protection of Intellectual Property Rights

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-corruption

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

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

Whistle-blowing channels

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

Anti-corruption Training

Training related to anti-corruption are rendered to our management and employees to boost their awareness on the prevention of any kind of unethical behaviour such as bribery, extortion, fraud and money laundering. During the Reporting Period, 10 directors of the Group attended training on ethics legacy for a total of 42 hours, while 126 employees attended training on Prevention of Bribery Ordinance for a total of 522 hours.

B8. Community Investment

Community Engagement

People-centric is one of our core corporate values that guide our business and day-to-day operation. The Group therefore cares about the interests of the communities and people that we serve. We and our employees are dedicated to working hand-in-hand with the local communities in a variety of initiatives ranging from job creation to youth education and disaster reliefs.

During the Reporting Period, the Group focused on promoting the positivity among the society during difficult times due to the pandemic. In August 2021, the city was cheering for the athletes participated in the 32nd Summer Olympics held in Tokyo, which was the most successful Games ever for Hong Kong as the athletes have taken home six medals. In the light of our unity, CASH Wealth Management Limited, a subsidiary of the Group, gave each Hong Kong award-winning athlete a wealth management plan of HK\$100,000 as an appreciation and encouragement.

The Group also supports environmental protection and entrepreneur development. In August 2021, the Group promoted donation to World Wide Fund for Nature (WWF) for ocean biodiversity to employees. In September 2021, the Group sponsored insurance schemes and securities services discount for CUHK Entrepreneur Day held by CUHK Alumni Torch Fund.

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 22 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Subject Areas, Aspects, General Disclosures and KPIs

Description

Section/Declaration

Aspect A1: Emissions

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions (Not applicable – Explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions

Aspect A2: Use of Resources

General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources
KPI A2.2	Water consumption in total and intensity.	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources (Not applicable – Explained)

Aspect A3: The Environment and Natural Resources

General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Aspect A4: Climate Change

General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Description

Section/Declaration

Aspect B1: Employment

General	Information on:	Employment
Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

Aspect B2: Health and Safety

General	Information on:	Health and Safety
Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Aspect B3: Development and Training

General	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Disclosure		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Aspect B4: Labour Standards

General	Information on:	Labour Standards
Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Description

Section/Declaration

Aspect B5: Supply Chain Management

General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Aspect B6: Product Responsibility

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

Aspect B7: Anti-corruption

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

Aspect B8: Community Investment

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

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the section of "Financial Review" and "Management Discussion and Analysis" of this annual report, and in note 42 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 42 to the consolidated financial statements.

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

Save as disclosed in this report, there is no important event affecting the Group that has occurred since the end of the financial year ended 31 December 2021.

RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

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

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

DIRECTORS' REPORT

Shareholders

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

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

Employees

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

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

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

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

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

Customers

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

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

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

DIRECTORS' REPORT

Suppliers

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

Community

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

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

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

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

ENVIRONMENTAL POLICY AND PERFORMANCE

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

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

Over the years, the Group has participated in various environmental protection programmes and campaigns organised by reputable institutions and have been recognised with awards. In year 2021, we received Certificate of Merit in Servicing and Trading sector at 2020 Hong Kong Awards for Environmental Excellence and WastewiŒe Certificate (Excellence Level) from Environmental Campaign Committee. The Environmental Campaign Committee also recognised the Group as Hong Kong Green Organisation.

COMPLIANCE WITH LAWS AND REGULATIONS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2021 is set out on page 153 of this annual report.

DIRECTORS' REPORT

PROPERTY AND EQUIPMENT

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

SUBSIDIARIES

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 39 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the consolidated financial statements on page 68 of this annual report.

Details of movements in the reserves of the Company during the year are set out in note 48 to the consolidated financial statements.

As at 31 December 2021, the Company had no distributable reserves available for distribution to the Shareholders.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

A. Continuing connected transactions for financial year ended 31 December 2021

1. Margin financing arrangement for three financial years ending 31 December 2021

Celestial Securities entered into the margin financing agreements all dated 7 December 2018 with each of the following connected clients:

- (a) Dr Kwan Pak Hoo Bankee
- (b) Mr Kwan Teng Hin Jeffrey
- (c) Mr Ng Hin Sing Derek (resigned on 16 August 2021)
- (d) Mr Cheung Wai Ching Anthony
- (e) Mr Ho Tsz Cheung Jack
- (f) Mr Chan Chi Ming Benson
- (g) Cash Guardian
- (h) Libra Capital
- (i) Cashflow Credit
- (j) Confident Profits

DIRECTORS' REPORT

Pursuant to the respective margin financing agreements above, Celestial Securities granted margin financing facilities to each of the above connected clients at an annual cap of up to HK\$30 million (which represents the maximum outstanding balance, including accrued outstanding interests of the margin financing facility) for each of the three financial years ending 31 December 2021. Each of the margin financing facilities granted to the connected client was a stand alone facility and will not be aggregated. The interest rates charged are in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.

As at the date of the respective margin financing agreements, the above connected clients were either Directors or substantial Shareholders or their respective associates and were connected persons (as defined under the Listing Rules) of the Company, except Mr Ng Hin Sing Derek who was only an executive director of CASH (the substantial shareholder) and was not a connected person of the Company. The granting of the margin financing arrangement by the Company constituted continuing connected transaction relating to financial assistance for the Company under the Listing Rules.

During the year ended 31 December 2019, Mr Ho Tsz Cheung Jack (item (1)(e)) had resigned as executive director of the Company but remained as director of subsidiaries of the Group and connected person of the Company. During the year ended 31 December 2020, (i) Mr Chan Chi Ming Benson (item (1)(f)) had resigned as executive director of the Company but remained as connected person of the Company until 27 March 2021 (ie after 12 months of his resignation from the Group); (ii) Mr Ng Hin Sing Derek (item (1)(c)) was appointed as executive director of the Company and the margin financing agreement with Mr Ng became connected transaction of the Company since his appointment on 27 March 2020; and (iii) Mr Cheung Wai Ching Anthony (item (1)(d)) had resigned as executive director of the Company but remained as director of subsidiaries of the Group and connected person of the Company. During the year ended 31 December 2021, Mr Ng Hin Sing Derek (item (1)(c)) had resigned as executive director of the Company but remained as director of subsidiaries of the Group and connected person of the Company.

The above margin financing agreements were disclosed in the Company's announcement dated 7 December 2018 and circular dated 9 January 2019 as well as approved by the independent Shareholders at a SGM held on 30 January 2019 and/or disclosed in the Company's announcement dated 13 May 2020.

During the year ended 31 December 2021, the maximum amount of margin financing facilities utilised by each of the above connected clients did not exceed the annual cap of HK\$30 million.

All the margin financing agreements as disclosed in this item (A)(1) expired after 31 December 2021. Celestial Securities has subsequently entered into new margin financing agreements with certain connected clients who are the existing directors or chief executive of the Group, details of which are disclosed in (B) below.

DIRECTORS' REPORT

2. Provision of brokerage services for three financial years ending 31 December 2021

On 7 December 2018, Celestial Securities and Celestial Commodities as service providers and Confident Profits as client entered into the brokerage services agreement relating to the provision of brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges at predetermined brokerage fees (as more particularly set out in the Company's circular dated 9 January 2019) for each of the three financial years ending 31 December 2021.

The brokerage fees would be charged on normal commercial terms and at market rates, which would not be more favourable than those available to independent third party clients of the Group. The annual cap of the brokerage fees is a sum of up to HK\$30 million for each of the three financial years ending 31 December 2021.

As at the date of the brokerage services agreement, Confident Profits Group was a subsidiary of CASH held under CIGL (a wholly-owned subsidiary of CASH), being the substantial Shareholder, and was a connected person of the Company (as defined under the Listing Rules). The provision of brokerage services by the Group to the Confident Profits Group under the brokerage services agreement constituted continuing connected transaction for the Company under the Listing Rules.

The brokerage services agreement was approved by the independent Shareholders at a SGM held on 30 January 2019. Details of the transactions were disclosed in the Company's announcement dated 7 December 2018 and circular dated 9 January 2019.

During the year ended 31 December 2021, the Group did not receive any brokerage fees from the Confident Profits Group.

The brokerage services agreement as disclosed in this item (A)(2) expired after 31 December 2021.

The aforesaid continuing connected transactions of the Company for the financial year ended 31 December 2021 have been reviewed by the INEDs. The INEDs have confirmed that the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the aforesaid Group's continuing connected transactions of the Company for the financial year ended 31 December 2021 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the auditor and the Company to the Stock Exchange.

DIRECTORS' REPORT

B. Continuing connected transactions subsequent to the year under review

Margin financing arrangement for three financial years ending 31 December 2024

Reference was made to item (A)(1) above. Celestial Securities entered into the new margin financing agreements all dated 1 November 2021 with each of the following connected clients:

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

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

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

As at the date of this report, Mr Kwok Ka Lok Lionel had resigned as executive director of the Company but remained as connected person of the Company until 1 March 2023 (ie after 12 months of his resignation from the Group).

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

The aforesaid continuing connected transactions of the Company would be subject to annual review requirements pursuant to rule 14A.55 of the Listing Rules for the three financial years from 1 January 2022 to 31 December 2024.

DIRECTORS' REPORT

CONNECTED TRANSACTION AND RELATED PARTIES TRANSACTIONS

During the year, the Group conducted the following exempted connected transaction which is exempt from announcement, reporting, annual review and shareholders' approval requirements under the Chapter 14A of the Listing Rules.

On 15 November 2021, a related company entered into a loan agreement with the Company, pursuant to which the related company had agreed to provide an overdraft facility up to HK\$200,000,000 to the Company. The related company is a company controlled by Dr Kwan Pak Hoo Bankee (the substantial Shareholder, ED, Chairman and CEO of the Company) and his associate, and thus a connected person. Accordingly, the entering into of the loan agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the loan was unsecured and conducted on normal commercial terms or better, the loan agreement is fully exempted from announcement, reporting, annual review and shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the related party transactions entered into by the Group are set out in notes 36 and 45 to the consolidated financial statements and those related party transactions which are related to the continuing connected transactions of the Group as disclosed under heading "Continuing Connected Transactions" above in this section or are connected transactions exempted from announcement, reporting, annual review and shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive Directors:

Kwan Pak Hoo Bankee

Li Shing Wai Lewis

Kwan Teng Hin Jeffrey

Cheung Wai Lim William (*was appointed on 16 August 2021*)

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

Ng Hin Sing Derek (*resigned on 16 August 2021*)

Independent Non-executive Directors:

Cheng Shu Shing Raymond

Lo Kwok Hung John

Lo Ming Chi Charles

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

- (i) Mr Cheung Wai Lim William, being newly appointed ED, shall retire at the AGM in accordance with the Company's bye-laws; and
- (ii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the AGM in each year in accordance with their terms of office of directorship.

DIRECTORS' REPORT

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the headings of "Continuing Connected Transactions" and "Connected Transaction and Related Party Transactions" in this section above, no Director or any entity connected with Director had a material interest in, either directly or indirectly, any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the financial year under review.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2021, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

The Company

(a) Long positions in the Shares

Name	Capacity	Personal	Corporate	Shareholding (%)
		(Number of Shares)	Interest (Number of Shares)	
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	2,472,000	97,960,854*	38.45
Li Shing Wai Lewis	Beneficial owner	2,472,000	–	0.94
Kwan Teng Hin Jeffrey	Beneficial owner	2,472,000	–	0.94
Lo Kwok Hung John	Beneficial owner	62,775	–	0.02
		<u>7,478,775</u>	<u>97,960,854</u>	<u>40.35</u>

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

DIRECTORS' REPORT

(b) Long positions in the underlying shares - options under share option scheme

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options				outstanding as at 31 December 2021	Percentage to issued shares as at 31 December 2021 (%)
					outstanding as at 1 January 2021	lapsed during the year (Note (6))	exercised during the year (Note (7))	granted during the year (Notes (8)&(9))		
Kwan Pak Hoo Bankee	29/03/2019	01/05/2019 - 30/04/2022	1.420	(1),(4),(5)	1,800,000	(450,000)	-	-	1,350,000	0.52
	29/04/2020	01/05/2020 - 30/04/2022	0.480	(4)	2,472,000	-	(2,472,000)	-	-	-
	29/07/2021	01/08/2021 - 31/07/2023	0.572	(2),(4),(5)	-	-	-	2,400,000	2,400,000	0.92
Li Shing Wai Lewis	29/03/2019	01/05/2019 - 30/04/2022	1.420	(1),(4),(5)	450,000	(112,500)	-	-	337,500	0.13
	29/04/2020	01/05/2020 - 30/04/2022	0.480	(4)	2,472,000	-	(2,472,000)	-	-	-
	29/07/2021	01/08/2021 - 31/07/2023	0.572	(2),(4),(5)	-	-	-	2,400,000	2,400,000	0.92
Kwan Teng Hin Jeffrey	29/03/2019	01/05/2019 - 30/04/2022	1.420	(1),(4),(5)	1,800,000	(450,000)	-	-	1,350,000	0.52
	29/04/2020	01/05/2020 - 30/04/2022	0.480	(4)	2,472,000	-	(2,472,000)	-	-	-
	29/07/2021	01/08/2021 - 31/07/2023	0.572	(2),(4),(5)	-	-	-	2,400,000	2,400,000	0.92
Kwok Ka Lok Lionel (Note (10))	29/03/2019	01/05/2019 - 30/04/2022	1.420	(1),(4),(5)	900,000	(225,000)	-	-	675,000	0.25
	29/07/2021	01/08/2021 - 31/07/2023	0.572	(2),(4),(5)	-	-	-	900,000	900,000	0.34
Cheung Wai Lim William (Note (11))	29/07/2021	01/08/2021 - 31/07/2025	0.572	(3)to(5)	N/A	-	-	900,000	900,000	0.34
Ng Hin Sing Derek (Note (12))	29/04/2020	01/05/2020 - 30/04/2022	0.480	(4)	2,472,000	-	(2,472,000)	-	N/A	N/A
					14,838,000	(1,237,500)	(9,888,000)	9,000,000	12,712,500	4.86

Notes:

- The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively..
- The options are vested in 2 tranches as to 50% exercisable from 1 August 2021 to 31 July 2023 and 50% exercisable from 1 August 2022 to 31 July 2023 respectively.
- The options are vested in 4 tranches as to 25% exercisable from 1 August 2021 to 31 July 2022, 25% exercisable from 1 August 2022 to 31 July 2023, 25% exercisable from 1 August 2023 to 31 July 2024 and 25% exercisable from 1 August 2024 to 31 July 2025 respectively.
- The options are subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the Chairman of the Board and/or the Board determined at their sole discretion.
- The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.
- The lapsed options were due to expiry of the options in accordance with the terms of the share options.
- During the year, the following options granted on 29 April 2020 held by the Directors were fully vested as approved by the Board and exercised:-

Date of exercise	Number of options	Exercise price per share (HK\$)	Weighted average closing price of the Shares immediately before the date of exercise (HK\$)
17 May 2021	2,472,000	0.48	0.70
17 June 2021	7,416,000	0.48	0.73
Total	9,888,000		

DIRECTORS' REPORT

- (8) The closing price of the Share immediately before the date of grant of options on 29 July 2021 was HK\$0.56.
- (9) The value of the options granted during the year ended 31 December 2021 was zero as the performance targets set for the options had not been achieved by the end of the year under review.
- (10) Mr Kwok Ka Lok Lionel resigned as Director with effect from 1 March 2022 (subsequent to the reporting period).
- (11) Mr Cheung Wai Lim William was appointed as Director during the year.
- (12) Mr Ng Hin Sing Derek resigned as Director during the year.
- (13) No option was cancelled during the year.
- (14) The options were held by the Directors in the capacity of beneficial owners.

Save as disclosed above, as at 31 December 2021, none of the Directors, chief executive or their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at an AGM of the Company held on 8 June 2018. Particulars of the terms of the Share Option Scheme are set out in note 44 to the consolidated financial statements.

The following table discloses details of the Company's share options granted under the Share Option Scheme held by the Directors and the employees and other grantees of the Group and movements in such holdings during the year ended 31 December 2021.

Participants	Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options				
					outstanding as at 1 January 2021	exercised during the year (Note (8))	granted during the year (Notes (9)&(10))	lapsed during the year (Note (11))	outstanding as at 31 December 2021
Directors									
	29/03/2019	01/05/2019–30/04/2022	1.420	(1)	4,950,000	-	-	(1,237,500)	3,712,500
	29/04/2020	01/05/2020–30/04/2022	0.480	(1)	9,888,000	(9,888,000)	-	-	-
	29/07/2021	01/08/2021–31/07/2023	0.572	(1)	-	-	8,100,000	-	8,100,000
	29/07/2021	01/08/2021–31/07/2025	0.572	(1)	-	-	900,000	-	900,000
Employees									
	29/03/2019	01/05/2019–30/04/2022	1.420	(2),(5),(7)	5,688,000	-	-	(1,759,500)	3,928,500
	29/04/2020	01/05/2020–30/04/2022	0.480	(5),(7)	8,664,000	(6,192,000)	-	-	2,472,000
	29/07/2021	01/08/2021–31/07/2023	0.572	(3),(5),(7)	-	-	1,800,000	-	1,800,000
	29/07/2021	01/08/2021–31/07/2025	0.572	(4),(5),(7)	-	-	10,140,000	(300,000)	9,840,000
Consultants									
	29/03/2019	01/05/2019–30/04/2022	1.420	(2),(5),(7),(13)	2,136,000	-	-	(534,000)	1,602,000
	04/06/2019	04/06/2019–03/06/2022	1.040	(6),(7),(13)	2,790,000	-	-	-	2,790,000
	29/04/2020	01/05/2020–30/04/2022	0.480	(6),(7),(13)	4,944,000	(2,472,000)	-	-	2,472,000
	29/07/2021	01/08/2021–31/07/2023	0.572	(6),(7),(13)	-	-	3,810,000	-	3,810,000
					39,060,000	(18,552,000)	24,750,000	(3,831,000)	41,427,000

DIRECTORS' REPORT

Notes:

- (1) Details of the options granted to the Directors are set out in the section headed "Directors' interests in securities" above.
- (2) The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively.
- (3) The options are vested in 2 tranches as to 50% exercisable from 1 August 2021 to 31 July 2023 and 50% exercisable from 1 August 2022 to 31 July 2023 respectively.
- (4) The options are vested in 4 tranches as to 25% exercisable from 1 August 2021 to 31 July 2022, 25% exercisable from 1 August 2022 to 31 July 2023, 25% exercisable from 1 August 2023 to 31 July 2024 and 25% exercisable from 1 August 2024 to 31 July 2025 respectively.
- (5) The options are subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the Chairman of the Board and/or the Board determined at their sole discretion.
- (6) The vesting of the options is subject to the satisfactory delivery of services to members of the Group as approved by the Chairman of the Board and/or the Board determined at their sole discretion.
- (7) The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.
- (8) During the year, the following options granted on 29 April 2020 held by the Directors and participants of members of the Group were fully vested as approved by the Board and exercised:-

Date of exercise	Number of options	Exercise price per share (HK\$)	Weighted average closing price of the Shares immediately before the date of exercise (HK\$)
17 May 2021	11,136,000	0.48	0.70
17 June 2021	7,416,000	0.48	0.73
Total	<u>18,552,000</u>		

- (9) The closing price of the Share immediately before the date of grant of options on 29 July 2021 was HK\$0.56.
- (10) The value of the options granted during the year ended 31 December 2021 was zero as the performance targets set for the options had not been achieved by the end of the year under review.
- (11) The lapsed options were due to expiry of the options in accordance with the terms of the share options.
- (12) No option was cancelled during the year.
- (13) There were share options granted to consultants on 29 March 2019, 4 June 2019, 29 April 2020 and 29 July 2021 respectively. The grantees of the share options granted on 29 March 2019 were Mr Law Ping Wah Bernard (the former executive director of the Company) and Ms Luke Wing Sheung (the former company secretary of the Company). The grantees of the share options granted on 4 June 2019 were Mr Yao Cho Fai Andrew, Mr Ma King Huen Philip and Mr Lai Wing Hung Alfred. The grantees of the share options granted on 29 April 2020 were Mr Law Ping Wah Bernard and Mr Lai Wing Hung Alfred. The grantees of the share options granted on 29 July 2021 were Mr Law Ping Wah Bernard, Mr Lai Wing Hung Alfred and Ms Luke Wing Sheung. The rationale for granting the share options to consultants was to reward each of them for their quality service, professional advice, expertise and contribution to the Group by introducing potential business opportunities to the Group. The Board is of the view that the grant of options will provide incentives for them to provide professional financial and new business opportunities advisory services and planning to cater for business needs of the Group, which will align their interests with the Group and secure their long-term support and commitment to the Group.
- (14) The total number of Shares available for issue under the Share Option Scheme is 65,069,477, representing approximately 24.91% of the issued Shares as at the date of this annual report.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, so far as is known to the Directors and chief executive of the Company, the persons/companies (other than a Director or chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Name	Capacity	Number of Shares	Shareholding (%)
Hobart Assets Limited (Note)	Interest in a controlled corporation	97,960,854	37.50
Cash Guardian (Note)	Interest in a controlled corporation	97,960,854	37.50
CASH (Note)	Interest in a controlled corporation	97,960,854	37.50
Praise Joy Limited (Note)	Interest in a controlled corporation	97,960,854	37.50
CIGL (Note)	Beneficial owner	97,960,854	37.50

Note:

This refers to the same number of 97,960,854 Shares held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the substantial Shareholder)). CASH was owned as to a total of approximately 49.79% by Dr Kwan, being approximately 49.05% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan) and approximately 0.74% by Dr Kwan in his personal name. Pursuant to the SFO, Dr Kwan, Hobart Assets Limited and Cash Guardian were deemed to be interested in all the Shares held by CIGL through CASH. The above interest has already been disclosed as corporate interest of Dr Kwan in the section headed "Directors' interests in securities" above.

Save as disclosed above, as at 31 December 2021, the Directors and chief executive of the Company were not aware of any other parties or corporation (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2021.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company as disclosed in note 44 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2021 or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

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

CONFIRMATION OF INDEPENDENCE

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

AUDITOR

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

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

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 22 March 2022

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CASH Financial Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 152, 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

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

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

The total fair value of financial assets at FVTOCI classified as level 3 amounted to HK\$27,679,000 as at 31 December 2021 and the key source of estimation uncertainty are disclosed in notes 4 and 42 to the consolidated financial statements.

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

- evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge;
- evaluating the appropriateness and consistency of the valuation techniques used by the management;
- evaluating the rationale of management's judgment on the significant unobservable inputs;
- examining supporting documents for significant inputs; and
- performing sensitivity analysis to evaluate the reasonableness of the valuation, where appropriate, or performing independent valuation together with our internal valuation specialist and comparing the valuation with the Group's valuation.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 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
Revenue			
Fee and commission income	5	71,165	78,286
Interest income	6	25,698	25,402
Total revenue		96,863	103,688
Other income	8	1,840	6,814
Other (losses) gains	9	(13,162)	4,877
Salaries and related benefits	10	(58,532)	(64,636)
Commission expenses		(24,773)	(22,204)
Depreciation	19	(8,650)	(8,769)
Finance costs	13	(7,447)	(11,083)
Impairment losses under expected credit loss model, net of reversal	14	(1,892)	(1,447)
Other operating expenses	15	(37,757)	(47,205)
Change in fair value of investment property	20	–	824
Loss before taxation		(53,510)	(39,141)
Income tax credit	16	40	–
Loss for the year		(53,470)	(39,141)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on financial assets at fair value through other comprehensive income		2,029	(13,863)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1,023	864
Other comprehensive income (expense) for the year		3,052	(12,999)
Total comprehensive expense for the year		(50,418)	(52,140)
Loss attributable to:			
Owners of the Company		(53,470)	(39,178)
Non-controlling interests		–	37
		(53,470)	(39,141)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(50,418)	(52,177)
Non-controlling interests		–	37
		(50,418)	(52,140)
Loss per share	17		
– Basic (HK cents)		(21.11)	(15.89)
– Diluted (HK cents)		(21.11)	(15.89)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property and equipment	19	22,930	16,430
Investment property	20	–	18,934
Intangible assets	21	9,092	9,092
Club debentures	22	660	660
Other assets	23	6,857	8,235
Rental and utility deposits		1,913	1,243
Financial assets at fair value through other comprehensive income	24	27,679	25,649
Loans receivable	27	1,516	–
Financial assets at fair value through profit or loss	29	5,534	5,335
		76,181	85,578
Current assets			
Accounts receivable	25	182,150	309,363
Contract assets	26	4,813	2,690
Loans receivable	27	38,681	14,091
Prepayments, deposits and other receivables	28	28,792	6,669
Financial assets at fair value through profit or loss	29	99,408	82,523
Amounts due from related companies	32	1,001	1,341
Bank deposits subject to conditions	30	–	25,231
Bank balances - trust and segregated accounts	31	660,971	732,123
Bank balances (general accounts) and cash	31	203,580	208,859
		1,219,396	1,382,890
Current liabilities			
Accounts payable	33	701,088	856,276
Accrued liabilities and other payables	34	24,932	23,223
Taxation payable		3,000	3,000
Lease liabilities	38	11,220	10,832
Bank borrowings - amount due within one year	35	73,026	110,804
Provision for restoration		1,035	–
		814,301	1,004,135
Net current assets		405,095	378,755
Total assets less current liabilities		481,276	464,333

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Loan from a related party	36	60,263	–
Deferred tax liabilities	37	–	40
Lease liabilities	38	7,838	9,280
Provision for restoration		807	1,133
		68,908	10,453
Net assets			
		412,368	453,880
Capital and reserves			
Share capital	39	104,470	97,049
Reserves		299,360	348,293
Equity attributable to owners of the Company		403,830	445,342
Non-controlling interests	40	8,538	8,538
Total equity			
		412,368	453,880

The consolidated financial statements on pages 65 to 152 were approved and authorised for issue by the Board of Directors on 22 March 2022 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LI SHING WAI LEWIS
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company								Total	Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Contributed surplus	Share-based payment reserve	Investments revaluation reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	99,115	604,542	29,209	117,788	-	(103)	(1,508)	(353,746)	495,297	8,501	503,798
(Loss) profit for the year	-	-	-	-	-	-	-	(39,178)	(39,178)	37	(39,141)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	(13,863)	-	-	(13,863)	-	(13,863)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	864	-	864	-	864
Other comprehensive (expense) income for the year	-	-	-	-	-	(13,863)	864	-	(12,999)	-	(12,999)
Total comprehensive (expense) income for the year	-	-	-	-	-	(13,863)	864	(39,178)	(52,177)	37	(52,140)
Recognition of equity-settled share-based payment (Note 44)	-	-	-	-	4,698	-	-	-	4,698	-	4,698
Shares repurchased (Note 39)	(2,066)	(410)	-	-	-	-	-	-	(2,476)	-	(2,476)
At 31 December 2020 and 1 January 2021	97,049	604,132	29,209	117,788	4,698	(13,966)	(644)	(392,924)	445,342	8,538	453,880
Loss for the year	-	-	-	-	-	-	-	(53,470)	(53,470)	-	(53,470)
Fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	2,029	-	-	2,029	-	2,029
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	1,023	-	1,023	-	1,023
Other comprehensive income for the year	-	-	-	-	-	2,029	1,023	-	3,052	-	3,052
Total comprehensive (expense) income for the year	-	-	-	-	-	2,029	1,023	(53,470)	(50,418)	-	(50,418)
Shares issued upon exercise of share options (Notes 39 and 44)	7,421	5,193	-	-	(3,708)	-	-	-	8,906	-	8,906
At 31 December 2021	104,470	609,325	29,209	117,788	990	(11,937)	379	(446,394)	403,830	8,538	412,368

Notes:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Operating activities			
Loss before taxation		(53,510)	(39,141)
Adjustments for:			
Depreciation of property and equipment	19	8,650	8,769
Interest expense	13	7,447	11,083
Interest income	6, 8 & 9	(25,811)	(26,189)
Dividend income	9	(1,217)	(245)
Negative variable lease payment	19	–	(34)
Change in fair value of investment property	20	–	(824)
Loss on fair value changes of financial assets at fair value through profit or loss		15,073	4,150
Loss on disposal of property and equipment	9	324	–
Share-based payments	10	–	4,698
Impairment losses under expected credit loss model, net of reversal	14	1,892	1,447
Write-off of financial assets and contract assets	9	615	–
Gain on disposal of investment property	9	(1,563)	–
Operating cash flows before movements in working capital		(48,100)	(36,286)
Decrease (increase) in other assets		1,378	(1,834)
Increase in contract assets		(2,419)	(930)
Decrease in contract costs		–	2,444
Decrease (increase) in accounts receivable		126,443	(855)
(Increase) decrease in loans receivable		(27,547)	12,175
(Increase) decrease in prepayments, deposits and other receivables		(965)	1,348
(Increase) decrease in financial assets at fair value through profit or loss		(32,157)	14,899
Decrease in bank deposits subject to conditions	30	25,231	–
Decrease (increase) in bank balances - trust and segregated accounts		71,152	(87,581)
(Decrease) increase in accounts payable		(155,188)	62,056
Increase in accrued liabilities and other payables		1,379	2,653
Decrease in contract liabilities		–	(4,330)
Cash used in operations		(40,793)	(36,241)
Interest received		25,698	26,311
Dividend received		1,217	245
Net cash used in operating activities		(13,878)	(9,685)
Investing activities			
Purchase of property and equipment	19	(4,438)	(1,768)
Purchase of financial assets at fair value through profit or loss		–	(5,550)
Payments for rental deposits		(1,030)	(56)
Advances to related parties		–	(1,402)
Repayment from a related company		340	61
Net cash used in investing activities		(5,128)	(8,715)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Financing activities			
Payment on repurchase of shares	39	–	(2,476)
Proceeds from exercise of share options	44	8,906	–
Repayments of lease liabilities	43	(11,209)	(8,426)
Advances from bank borrowings	43	21,122,210	16,356,600
Repayment of bank borrowings	43	(21,160,014)	(16,395,225)
Advances from related parties	43	60,000	667
Repayments to related parties	43	–	(865)
Interest paid on lease liabilities	43	(751)	(970)
Interest paid on bank borrowings	43	(6,407)	(10,081)
Net cash from (used in) financing activities		12,735	(60,776)
Net decrease in cash and cash equivalents		(6,271)	(79,176)
Cash and cash equivalents at beginning of year		208,859	288,192
Effect of change in foreign exchange rate		992	(157)
Cash and cash equivalents at end of year		203,580	208,859
Bank balances (general accounts) and cash		203,580	208,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

CASH Financial Services Group Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company is an associate of Celestial Investment Group Limited (“CIGL”), a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited (“CASH”), a company incorporated in Bermuda. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, while the address of the principal place of business of the Company is 22/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
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 (CONTINUED)

For the year ended 31 December 2021

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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

Amendments to HKFRS 3 “Reference to the Conceptual Framework”

The amendments:

- update a reference in HKFRS 3 “Business Combinations” so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC) - Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC) - Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

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

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

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

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 fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations or asset acquisitions

Optional concentration test

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Asset acquisitions

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

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010)*.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Revenue from contracts with customers

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

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

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

- Commission income from broking business is recognised when trades are executed;
- Commission income from underwriting, sub-underwriting and placing activities are recognised when the relevant significant act has been completed;
- Commission income for placement of general and life insurance, mutual funds and MPF products is recognised when the placements are successful, subject to constraint on variable consideration; and
- Fees from sponsor and financial advisory services are recognised upon listing or when the underlying transactions are completed.

Asset management fees and performance fees are recognised over time.

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

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

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

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

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

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

Variable consideration

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

Principal versus agent

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

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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.

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 are 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 in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

3.2 Significant accounting policies (continued)

Leases (continued)

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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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 (CONTINUED)

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

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

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

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

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

Borrowing costs

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

Government grants

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

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

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

Retirement benefits costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

Short-term employee benefits

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

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

Taxation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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.

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.

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.

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

Property and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

3.2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 losses on property and equipment (including right-of-use assets) and intangible 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 for which the estimates of future cash flows have not been adjusted.

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

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

Investment properties

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

Provisions

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

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

Restoration provisions

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

Financial instruments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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 equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combinations to which HKFRS 3 applies.

A financial asset is held for trading if:

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

(i) Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 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)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses. Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or 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 includes any dividend or interest earned on the financial asset and is included in the "other (losses) gains" line item.

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

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

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

The Group always recognises lifetime ECL for contract assets, commission receivable from brokerage of general and life insurance, mutual funds and MPF products and accounts receivable arising from the provision of investment banking services. The ECL on these assets are assessed based on the Group's historical default rates or default rates by reference to the Probability of Default ("PD"), Loss Given Default ("LGD") over the expected life and is adjusted for forward-looking estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

(ii) Definition of default

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

- Nature of financial instruments;
- Loan to collateral value ratio ("LTV");
- Past-due status; 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 loans receivable and accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 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 (continued)

Equity instruments

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

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

Equity-settled share-based payment transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

Equity-settled share-based payment transactions (continued)

Share options granted to employees and individuals providing services similar to employees (continued)

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

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

Share options granted to non-employees

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Determination on lease term of contracts with renewal options

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

Critical judgements in applying accounting policies (continued)

Determination on lease term of contracts with renewal options (continued)

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

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

On commencement dates of relevant leases, management did not consider that it is reasonably certain to exercise the renewal option in the relevant leases. As at 31 December 2021, the undiscounted potential future lease payments not included in lease liabilities amounted to approximately HK\$16,278,000 (2020: HK\$16,278,000).

Key sources of estimation uncertainty

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

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

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

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

Inputs, assumptions and estimation techniques

ECL of accounts receivable arising from margin financing is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 (credit risk has increased significantly since initial recognition) or 3 (credit-impaired) as defined in note 42. In assessing whether the credit risk of a financial asset has significantly increased, the Group considered the historical trend in LTV ratio as well as qualitatively and quantitatively reasonable and supportable forward-looking information available without undue cost or effort. ECL is the discounted product of expected future cash flows by using the PD, LGD and EAD, of which PD and LGD are based on significant management judgement and estimates. For non-credit impaired accounts receivable arising from margin financing, the management performed collective assessment and ECL are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort. For credit-impaired receivable arising from margin financing, the management performed individual assessment for each client by considering various factors, including the realisable value of securities or collaterals held by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

Key sources of estimation uncertainty (continued)

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

Forward-looking information

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

Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the PD in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates. Details of the impairment assessment of accounts receivable arising from margin financing are disclosed in note 42.

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

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

In view of impairment indicators, the Group performed impairment assessment on property and equipment (including right-of-use assets) of HK\$22,930,000 (2020: HK\$16,430,000). No impairment losses have been recognised on property and equipment during the year ended 31 December 2020 and 2021. Details of the impairment assessment of property and equipment are disclosed in note 19.

Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK\$519,849,000 (2020: HK\$479,843,000) and deductible temporary differences of HK\$40,172,000 (2020: HK\$47,917,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the COVID-19 pandemic may progress and evolve. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses and deductible temporary differences may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

Key sources of estimation uncertainty (continued)

Fair value of financial assets at FVTOCI

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

Whilst the Group considers these valuations are the best estimates, the ongoing COVID-19 pandemic may cause volatility and uncertainty to the investees' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions or inputs could affect the reported fair values of these instruments. Details of valuation methodologies or inputs are set out in note 42 to the consolidated financial statements.

5. FEE AND COMMISSION INCOME

(i) Disaggregation of revenue from contracts with customers

	2021 HK\$'000	2020 HK\$'000
Type of services		
Broking services	43,031	53,209
Investment banking services	384	8,653
Wealth management services	16,229	7,510
Asset management services	6,032	3,719
Handling and other services	5,489	5,195
Total	71,165	78,286
Timing of revenue recognition		
A point in time	70,441	74,151
Over time	724	4,135
Total	71,165	78,286

Fee and commission income of HK\$71,165,000 (2020: HK\$78,286,000) and interest income of HK\$25,689,000 (2020: HK\$25,332,000) are presented as financial services segment revenue and interest income of HK\$9,000 (2020: HK\$70,000) is presented as proprietary trading revenue for the year ended 31 December 2021 in the segment information in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

5. FEE AND COMMISSION INCOME (continued)

(ii) Performance obligations for contracts with customers

Broking services

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

Investment banking services

For sponsor or financial advisory services, HK\$264,000 (2020: HK\$416,000) is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. For the remaining revenue, the Group considers that all the services promised in a particular contract of being a sponsor or financial advisor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. As it is unlikely that a customer can obtain benefit before the Group completes all its services up to listing or the completion of the underlying transaction and since the contracts do not provide the Group an enforceable right to payment performance completed up to date, the sponsor or financial advisory fees are recognised at a point in time upon listing or when the underlying transactions are completed. Payments are received by instalments in accordance to the completion of milestones as specified in the mandate.

Wealth management services

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

Asset management services

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

Handling and other services

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

6. INTEREST INCOME

	2021 HK\$'000	2020 HK\$'000
Interest income arising from financial assets at amortised cost	25,698	25,402

7. SEGMENT INFORMATION

Reportable and operating segment

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

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by the segment before change in fair value of investment property and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

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

For the year ended 31 December 2021

	Financial services HK\$'000	Proprietary trading HK\$'000	Total HK\$'000
Revenue	96,854	9	96,863
RESULT			
Segment loss	(31,273)	(16,232)	(47,505)
Gain on disposal of investment property			1,563
Unallocated expenses			(7,568)
Loss before taxation			(53,510)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment revenue and result (continued)

For the year ended 31 December 2020

	Financial services HK\$'000	Proprietary trading HK\$'000	Total HK\$'000
Revenue	103,618	70	103,688
RESULT			
Segment loss	(26,381)	(889)	(27,270)
Change in fair value of investment property			824
Unallocated expenses			(12,695)
Loss before taxation			(39,141)

All the segment revenue is derived from external customers.

Segment assets and liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

As at 31 December 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

As at 31 December 2020

	Financial services HK\$'000	Proprietary trading HK\$'000	Total HK\$'000
ASSETS			
Segment assets	1,288,424	112,800	1,401,224
Property and equipment			10,577
Investment property			18,934
Financial assets at FVTOCI			25,649
Financial assets at FVTPL			5,335
Amounts due from related companies			1,341
Other unallocated assets			5,408
Consolidated total assets			1,468,468
LIABILITIES			
Segment liabilities	952,499	37,804	990,303
Lease liabilities			20,112
Deferred tax liabilities			40
Taxation payable			3,000
Provision for restoration			1,133
Consolidated total liabilities			1,014,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

7. SEGMENT INFORMATION (continued)

Other information

For the year ended 31 December 2021

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

For the year ended 31 December 2020

	Financial services HK\$'000	Proprietary trading HK\$'000	Unallocated amount HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	1,535	–	1,911	3,446
Interest income	25,332	70	–	25,402
Depreciation of property and equipment	(8,339)	–	(430)	(8,769)
Finance costs	(9,451)	(1,632)	–	(11,083)
Net gains (losses) on financial assets at FVTPL	–	2,649	(215)	2,434
Impairment losses, net of reversal				
– accounts receivable	(491)	–	–	(491)
– loans receivable	(956)	–	–	(956)
Net foreign exchange gain (loss)	2,663	(133)	(87)	2,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

7. SEGMENT INFORMATION (continued)

Other information (continued)

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

	Revenue from external customers		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (Place of domicile)	96,863	103,688	34,814	29,896
PRC	–	–	4,725	23,455
Total	96,863	103,688	39,539	53,351

There were no customers for the years ended 31 December 2021 and 2020 contributing over 10% of the Group's total revenue.

8. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Imputed interest income on rental deposits	113	99
Sundry income	1,123	507
Government grants	604	6,208
	1,840	6,814

During the current year, the Group recognised government grants of HK\$604,000 (2020: HK\$6,208,000) in respect of COVID-19-related subsidies, of which HK\$135,000 (2020: HK\$6,108,000) relates to Employment Support Scheme provided by the Hong Kong government for compensating the Group's staff costs and HK\$469,000 (2020: HK\$100,000) related to an unconditional subsidy under Subsidy Scheme for the Securities Industry specified in the Hong Kong government's "Anti-epidemic Fund".

9. OTHER (LOSSES) GAINS

	2021 HK\$'000	2020 HK\$'000
Net (losses) gains on financial assets at FVTPL (note)	(14,697)	2,434
Gain on disposal of investment property	1,563	–
Loss on disposal of property and equipment	(324)	–
Write-off of financial assets and contract assets	(615)	–
Net foreign exchange gain	911	2,443
	(13,162)	4,877

Note: The amount includes dividend income of HK\$1,217,000 (2020: HK\$245,000) and interest income amounting to HK\$ Nil (2020: HK\$688,000) from financial assets at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

10. SALARIES AND RELATED BENEFITS

	2021 HK\$'000	2020 HK\$'000
Salaries and related benefits represent the amounts paid and payable to the directors of the Company and employees of the Group, and comprise:		
Salaries and allowances	55,911	57,149
Contributions to retirement benefits schemes	2,621	2,789
Share-based payment	–	4,698
	58,532	64,636

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

For the year ended 31 December 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

For the year ended 31 December 2020

	Kwan Pak Hoo Bankee HK\$'000 (note (a))	Cheung Wai Ching Anthony HK\$'000 (note (d))	Li Shing Wai Lewis HK\$'000	Kwan Teng Hin Jeffrey HK\$'000	Chan Chi Ming Benson HK\$'000 (note (d))	Kwok Ka Lok Lionel HK\$'000 (note (e))	Ng Hin Sing Derek HK\$'000 (note (f))	Total 2020 HK\$'000
(A) EXECUTIVE DIRECTORS								
Fees	-	-	-	-	-	-	-	-
Other emoluments:								
Salaries and allowances	1,394	865	830	740	300	60	640	4,829
Retirement benefits	36	33	31	29	15	1	21	166
Share-based payment	494	494	494	494	-	-	494	2,470
Sub-total	1,924	1,392	1,355	1,263	315	61	1,155	7,465
			Lo Kwok Hung John HK\$'000	Lo Ming Chi Charles HK\$'000	Cheng Shu Shing Raymond HK\$'000			Total 2020 HK\$'000
(B) INDEPENDENT NON-EXECUTIVE DIRECTORS								
Fees			150	150	150			450
Sub-total			150	150	150			450
Total								7,915

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

Notes:

- (a) Dr Kwan Pak Hoo Bankee was appointed as Acting Chief Executive of the Company with effect from 1 January 2020. During the year ended 31 December 2021 and 2020, he was appointed as Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- (b) During the year ended 31 December 2021, Mr Cheung Wai Lim William was appointed as executive director of the Company.
- (c) During the years ended 31 December 2021 and 2020, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any remuneration during the years ended 31 December 2021 and 2020.
- (d) During the year ended 31 December 2020, Mr Chan Chi Ming Benson and Mr Cheung Wai Ching Anthony resigned as executive directors of the Company.
- (e) During the year ended 31 December 2020, Mr Kwok Ka Lok Lionel was appointed as executive director of the Company.
- (f) During the year ended 31 December 2020, Mr Ng Hin Sing Derek was appointed as executive director of the Company. He resigned as executive director during the year ended 31 December 2021.

12. EMPLOYEES' REMUNERATION

Three (2020: five) of the five individuals with the highest emoluments in the Group were directors of the Company for the year ended 31 December 2021. Details of these directors' emolument are included in the disclosures in note 11 above. For the year ended 31 December 2021, the emolument of the remaining two individuals were as follows:

	2021 HK\$'000
Salaries and allowances	1,774
Contributions to retirement benefits schemes	23
Share-based payment	–
Amount as inducement to join the Group	–
	1,797

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

	Number of employees 2021
Nil to HK\$1,000,000	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

13. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on bank overdrafts and borrowing	6,433	10,113
Interest on lease liabilities	751	970
Interest on loan from a related party	263	–
	7,447	11,083

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

	2021 HK\$'000	2020 HK\$'000
Net impairment losses recognised on:		
Accounts receivable	451	491
Loans receivable	1,441	956
	1,892	1,447

Details of impairment assessment for the years ended 31 December 2021 and 2020 are set out in note 42.

15. OTHER OPERATING EXPENSES

	2021 HK\$'000	2020 HK\$'000
Handling expenses:		
– dealing in securities	2,975	2,860
– dealing in futures and options	600	933
Advertising and promotion expenses	2,627	2,341
Telecommunications expenses	9,994	13,011
Auditor's remuneration	2,520	1,920
Legal and professional fees	3,126	3,728
Printing and stationery expenses	1,865	1,763
Repair and maintenance expenses	1,146	1,231
Travelling and transportation expenses	253	391
Water and electricity expenses	643	561
Office management fee and rates	2,866	2,980
Others	9,142	15,486
	37,757	47,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

16. INCOME TAX CREDIT

	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong	–	–
Deferred tax (note 37)	(40)	–
	(40)	–

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

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

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

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

	2021 HK\$'000	2020 HK\$'000
Loss before taxation	(53,510)	(39,141)
Taxation at income tax rate of 16.5%	(8,829)	(6,458)
Tax effect of expenses not deductible for tax purpose	3,954	2,359
Tax effect of income not taxable for tax purpose	(409)	(1,321)
Tax effect of deductible temporary differences not recognised	2,081	690
Tax effect of utilisation of tax losses previously not recognised	(198)	(979)
Tax effect of utilisation of temporary differences previously not recognised	(3,359)	(273)
Tax effect of tax losses not recognised	6,799	5,974
Others	(79)	8
Income tax credit	(40)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

17. LOSS PER SHARE

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

Loss

	2021 HK\$'000	2020 HK\$'000
Loss for the purposes of basic and diluted loss per share	(53,470)	(39,178)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	253,235,908	246,599,214
Effect of dilutive potential ordinary shares: Share options of the Company	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	253,235,908	246,599,214

For the years ended 31 December 2021 and 2020, the computation of diluted loss per share has not taken into account the effects of share options which are anti-dilutive.

18. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

19. PROPERTY AND EQUIPMENT

	Right-of- use assets – leased properties	Leasehold improvements	Furniture and fixtures	Computer and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST OR VALUATION					
As 1 January 2020	63,942	9,905	2,650	9,962	86,459
Exchange adjustments	–	–	12	–	12
Additions	1,678	1,454	153	161	3,446
Written-off upon end of leases	(15,777)	–	–	–	(15,777)
At 31 December 2020	49,843	11,359	2,815	10,123	74,140
Exchange adjustments	–	46	44	–	90
Additions	11,006	3,707	223	508	15,444
Written-off/disposal	–	–	(626)	–	(626)
Written-off upon end of leases	(3,694)	–	–	–	(3,694)
At 31 December 2021	57,155	15,112	2,456	10,631	85,354
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As 1 January 2020	49,349	5,377	1,806	8,179	64,711
Exchange adjustments	–	–	7	–	7
Provided for the year	5,694	1,465	305	1,305	8,769
Written-off upon end of leases	(15,777)	–	–	–	(15,777)
At 31 December 2020	39,266	6,842	2,118	9,484	57,710
Exchange adjustments	–	20	40	–	60
Provided for the year	6,864	1,365	108	313	8,650
Written-off/disposal	–	–	(302)	–	(302)
Written-off upon end of leases	(3,694)	–	–	–	(3,694)
At 31 December 2021	42,436	8,227	1,964	9,797	62,424
CARRYING VALUES					
At 31 December 2021	14,719	6,885	492	834	22,930
At 31 December 2020	10,577	4,517	697	639	16,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

19. PROPERTY AND EQUIPMENT (continued)

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

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

Total cash outflow for leases for the year ended 31 December 2021 amounted to HK\$11,960,000 (2020: HK\$9,396,000).

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of two years to five years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

19. PROPERTY AND EQUIPMENT (continued)

	Lease liabilities recognised as at 31 December 2020 HK\$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK\$'000
Offices at Hong Kong	15,774	16,278

Restrictions or covenants on leases

In addition, lease liabilities of HK\$19,058,000 (2020: HK\$20,112,000) are recognised with related right-of-use assets of HK\$14,719,000 (2020: HK\$10,577,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Rent concessions

During the year ended 31 December 2020, lessor of the office provided rent concessions to the Group through rent deferral that occurred as a direct consequence of COVID-19 pandemic.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in HKFRS16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to rent deferral arrangement by the lessor for the relevant leases of HK\$34,000 were recognised as negative variable lease payments in profit or loss during the year ended 31 December 2020.

Impairment assessment

For the years ended 31 December 2021 and 2020, as a result of the recurring losses of the Group and significant uncertainty on global and local economic environment, the management of the Group concluded there was indicator for impairment on property and equipment. The Group estimates the recoverable amount of the various CGUs of broking, asset management and wealth management (2020: broking, investment banking, asset management, wealth management) which in aggregate are reported as financial services segment and proprietary trading which is a separate segment to which the asset belongs, using the higher of value in use and fair value less cost of disposal of the respective CGU.

As at 31 December 2020, the recoverable amounts of the CGUs are determined by the directors of the Company using fair value less costs of disposal with reference to a valuation report issued by Peak Vision Appraisals Limited, the independent qualified professional valuer not connected to the Group, which is based on market transactions of comparable operations, adjusted to reflect the underlying assets included in the relevant CGUs for the purpose of impairment assessment. The fair value hierarchy of the valuation is classified as Level 3.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

19. PROPERTY AND EQUIPMENT (continued)

Impairment assessment (continued)

The recoverable amount of cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 3 years with a pre-tax discount rate of 6.59% as at 31 December 2021. The annual growth rates used range is from 0% to 30%, which are based on the forecast of business activities prepared by the management. The cash flows beyond the three-year period are extrapolated using 2.1% growth rate. The growth rates and discount rate as at 31 December 2021 have been reassessed taking into consideration higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve.

For the year ended 31 December 2021 and 2020, based on the results of the assessment, management of the Group determined that no impairment or reversal of impairment on property and equipment is required.

20. INVESTMENT PROPERTY

	HK\$'000
FAIR VALUE	
At 1 January 2020	17,094
Net increase in fair value recognised in profit or loss	824
Exchange adjustments	1,016
	<u>18,934</u>
At 31 December 2020	18,934
Disposal	(20,497)
Gain on disposal of investment property	1,563
	<u>—</u>
At 31 December 2021	—
Unrealised gain on property revaluation relating to the investment property held at the end of the reporting period included in "change in fair value of investment property"	
For the year ended 31 December 2021	<u>—</u>
For the year ended 31 December 2020	<u>824</u>

The Group's property interests held under operating leases for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment property.

The investment property of the Group is situated:

	2021 HK\$'000	2020 HK\$'000
Outside Hong Kong	<u>—</u>	<u>18,934</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

20. INVESTMENT PROPERTY (continued)

Fair value measurement of the Group's investment property

The fair value of the Group's investment property as at 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited, the independent qualified professional valuer not connected to the Group.

The fair value of the property, which is classified as Level 3 fair value hierarchy, was determined based on the direct comparison approach assuming sale of the property interest in its existing status and by making reference to recent comparable sales evidence as available in the relevant market.

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurement is categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement are observable.

Investment property held by the Group	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2020				
Residential property unit	Level 3	Direct comparison method based on market observable transactions of the same location and adjusted to reflect the conditions of the subject properties. The key inputs are: (1) Level adjustment (2) View adjustment (3) Size adjustment	Level adjustment on individual floors of the property of range of -5% to +2% View adjustment on the site view of the property of +2% Size adjustment on the size of the property of -10%	The higher level, the higher the fair value The better view, the higher the fair value The larger size, the lower the price per square meter

In estimating the fair value of the property, the highest and best use of the property is their current use.

In estimating the fair value of the investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management's findings to the board of directors of the Company every half year to explain the cause of fluctuations in the fair value of the investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

21. INTANGIBLE ASSETS

**Trading
rights**
HK\$'000

COST AND CARRYING VALUES

At 31 December 2021 and 31 December 2020

9,092

At 31 December 2021, intangible assets amounting to HK\$9,092,000 (2020: HK\$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights were considered by the management of the Group as having an indefinite useful life because these are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead these will be tested for impairment annually and whenever there is an indication that they may be impaired.

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

22. CLUB DEBENTURES

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

23. OTHER ASSETS

	2021 HK\$'000	2020 HK\$'000
Statutory deposits with exchanges and clearing houses	6,857	8,235

The above deposits are non-interest bearing.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets designated at FVTOCI:

	2021 HK\$'000	2020 HK\$'000
Unlisted equity investments at fair value	27,679	25,649

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

25. ACCOUNTS RECEIVABLE

	Notes	2021 HK\$'000	2020 HK\$'000
Accounts receivable arising from the business of dealing in securities:			
Clearing houses, brokers and dealers	(a)	38,915	63,043
Cash clients		27,865	53,695
		66,780	116,738
Accounts receivable arising from the business of margin financing	(a)	98,303	149,492
Less: allowance for impairment		(3,916)	(24,137)
		94,387	125,355
Accounts receivable arising from the business of dealing in futures and options:			
Cash clients	(a)	184	188
Clearing houses, brokers and dealers		20,646	66,889
		20,830	67,077
Commission receivable from brokerage of general and life insurance, mutual funds and MPF products	(b)	153	117
Accounts receivable arising from the provision of investment banking services	(b)	–	76
		182,150	309,363

Notes:

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

The Group provides customers with margin financing for securities transactions secured by customers' securities held as collateral. Securities are assigned with specific margin ratios for calculating margin values. Additional funds or collateral are required if the amount of accounts receivable from margin clients outstanding exceeds the eligible margin value of the securities deposited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

25. ACCOUNTS RECEIVABLE (continued)

Notes: (continued)

(a) (continued)

The customers' listed securities can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use clients' securities up to the amount of 140% of the accounts receivable from margin clients as collateral of the Group's borrowings. The accounts receivable from margin clients are repayable on demand and bear interest at commercial rates. As at 31 December 2021, accounts receivable from margin clients are secured by clients' pledged securities with fair value of approximately HK\$418,225,000 (2020: HK\$321,745,000), of which 95% (2020: 82%) of accounts receivable arising from the business of margin financing are fully collateralised.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously. Details are set out in note 42.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business in margin financing.

(b) The Group allows a credit period of 30 days for commission receivable from brokerage of general and life insurance, mutual funds and MPF products as well as accounts receivable arising from the provision of investment banking services. The ageing analysis (from the completion date of investment banking services or receipt of statements from fund houses) of such receivables is as follows:

	2021 HK\$'000	2020 HK\$'000
0 - 30 days	153	193

As at 1 January 2020, commission receivable from brokerage of general and life insurance, mutual funds and MPF products as well as accounts receivable arising from the provision of investment banking services amounted to HK\$62,000.

Details of the credit risk profile disclosure and movements in the allowance for impairment for the years ended 31 December 2021 and 2020 are set out in "credit risk and impairment assessment" in note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

25. ACCOUNTS RECEIVABLE (continued)

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties, details of which are as follows:

Name	Balance at 1 January HK\$'000	Balance at 31 December HK\$'000	Maximum amount outstanding during the year HK\$'000	Market value of pledged securities at fair value at 31 December HK\$'000
Directors of the Company				
Dr Kwan Pak Hoo Bankee				
2021	–	–	8,760	–
2020	–	–	26,310	–
Mr Li Shing Wai Lewis				
2021	–	–	2,487	–
2020	–	–	2,793	–
Mr Kwan Teng Hin Jeffrey				
2021	–	–	14,345	–
2020	–	–	26,654	–
Mr Kwok Ka Lok Lionel				
2021	–	–	2,773	–
Mr Cheung Wai Lim William (note ((3))				
2021 (from 16.8.2021 to 31.12.2021)	–	–	2,995	–
Mr Cheung Wai Ching Anthony (note (1))				
2021	N/A	N/A	N/A	N/A
2020 (from 1.1.2020 to 7.12.2020)	–	N/A	22,064	N/A
Mr Ng Hin Sing Derek (note (2))				
2021 (from 1.1.2021 to 15.8.2021)	2,730	N/A	23,590	N/A
2020 (from 27.3.2020 to 31.12.2020)	N/A	2,730	28,788	580
Subsidiaries of CASH				
Libra Capital Management (HK) Limited (note (4))				
2021	–	–	–	–
2020	–	–	22,909	–
Cashflow Credit Limited (note (4))				
2021	–	–	24,236	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

25. ACCOUNTS RECEIVABLE (continued)

Notes:

- (1) During the year ended 31 December 2020, Mr Cheung Wai Ching Anthony resigned as executive director of the Company.
- (2) During the year ended 31 December 2020, Mr Ng Hin Sing Derek was appointed as executive director of the Company. He resigned as executive director of the Company during the year ended 31 December 2021.
- (3) During the year ended 31 December 2021, Mr Cheung Wai Lim William was appointed as executive director of the Company.
- (4) Libra Capital Management (HK) Limited and Cashflow Credit Limited are subsidiaries of CASH, the substantial shareholder of the Company.

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

26. CONTRACT ASSETS

Contract assets represent the Group's rights to commission from insurers for the provision of placement services of general and life insurance, mutual funds and MPF products. The Group recognises revenue when the placement is successful whilst the Group's right to commission is conditional on the payment of the premiums to the insurers. The contract assets are transferred to accounts receivable when the rights become unconditional.

The Group's contract assets are analysed as follows:

	2021 HK\$'000	2020 HK\$'000
Commission arising from placement of mutual funds and insurance-linked investment products	4,813	2,690

As at 1 January 2020, contract assets amounted to HK\$1,760,000.

At 31 December 2021, the recognition of contract assets of HK\$4,813,000 (2020: HK\$2,690,000) represents management's best estimate of each contract's outcome.

Details of the impairment assessment of contract assets at 31 December 2021 and 2020 are set out in note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

27. LOANS RECEIVABLE

	2021 HK\$'000	2020 HK\$'000
Revolving loans receivable denominated in:		
Hong Kong dollars	21,544	10,122
Renminbi	4,697	4,603
United State dollars	353	322
Less: allowance for impairment	(2,397)	(956)
	24,197	14,091
Term loan receivable denominated in:		
Hong Kong dollars	16,000	–
	40,197	14,091

As at 31 December 2021, loans receivable have contractual interest rates ranging from 2% to 11% per annum (2020: from 2% to 13% per annum). As at 31 December 2021, the loans receivable included a total carrying amount of HK\$10,400,000 (2020: HK\$3,326,000), HK\$2,350,000 (2020: HK\$2,303,000) and HK\$2,347,000 (2020: HK\$2,299,000) which are loans to five (2020: two) directors, one (2020: one) senior management and one (2020: one) staff respectively, of the Group.

Details of impairment assessment at 31 December 2021 and 2020 are set out in note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

27. LOANS RECEIVABLE (continued)

Details of loans receivable from directors of the Company are as follows:

Name	Balance at 1 January HK\$'000	Balance at 31 December HK\$'000	Maximum amount outstanding during the year HK\$'000
Directors of the Company			
Dr Kwan Pak Hoo Bankee (note (1))			
2021	2,820	1,516	2,820
2020	–	2,820	2,820
Mr Kwok Ka Lok Lionel (note (2))			
2021	506	2,782	2,849
2020 (from 8.12.2020 to 31.12.2020)	N/A	506	5,500
Mr Kwan Teng Hin Jeffrey (note (3))			
2021	–	1,300	1,332
Mr Li Shing Wai Lewis (note (4))			
2021	–	2,801	2,869
Mr Cheung Wai Lim William (note (5))			
2021	–	2,001	2,049

Notes:

- (1) The amount is unsecured, bear interest at Hong Kong Prime Rate and is repayable on 4 November 2024.
- (2) The amount is unsecured, bear interest at Hong Kong Prime Rate and is repayable on 5 May 2022.
- (3) The amount is unsecured, bear interest at Hong Kong Prime Rate + 2% and is repayable on 10 June 2022.
- (4) The amount is unsecured, bear interest at Hong Kong Prime Rate + 2% and is repayable on 17 February 2022.
- (5) The amount is unsecured, bear interest at Hong Kong Prime Rate + 2% and is repayable on 17 February 2022.

The carrying amount of the loans receivable has remaining contractual maturity dates as follows:

	2021 HK\$'000	2020 HK\$'000
On demand or within one year	38,681	14,091
In more than two year but not more than three years	1,516	–
	40,197	14,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Deposits	2,532	1,618
Prepayments and other receivables	26,260	5,051
	28,792	6,669

Included in the other receivables, amount of HK\$20,768,000 (2020: Nil) was related to the proceeds from the disposal of investment property and the proceeds are held by Dr Kwan Pak Hoo Bankee on trust for and on behalf of Think Right Investments Limited, a wholly-owned subsidiary of the Group. The other receivables are non-interest bearing and repayable on demand or within one year.

Details of impairment assessment for the years ended 31 December 2021 and 2020 are set out in note 42.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong (note (a))	99,408	82,523
Other investment:		
– Unlisted fund investment (note (b))	5,534	5,335
	104,942	87,858

Notes:

- (a) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.
- (b) The fair value of the unlisted fund investment is determined with reference to the net asset value of the fund.

	2021 HK\$'000	2020 HK\$'000
Analysed for reporting purposes as:		
Current assets	99,408	82,523
Non-current assets	5,534	5,335
	104,942	87,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

30. BANK DEPOSITS SUBJECT TO CONDITIONS

	2021 HK\$'000	2020 HK\$'000
Other bank deposits	–	25,231

Pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK\$25,000,000 with a bank as a condition precedent to banking facilities granted by the bank to the Group to the extent of HK\$50,000,000, of which HK\$37,500,000 was utilised as at 31 December 2020. The pledged bank deposits were released upon the repayment of relevant bank borrowings during the year ended 31 December 2021. The bank deposits subject to conditions carried fixed rate of 2% per annum, which is also the effective interest rate on the bank deposits. All the deposits are pledged to secure short-term loan or short-term undrawn facilities, and are therefore classified as current assets.

Details of impairment assessment for the years ended 31 December 2020 are set out in note 42.

31. BANK BALANCES AND CASH

Bank balances - trust and segregated accounts

The Group receives and holds monies deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. Such monies are maintained in one or more segregated bank accounts and bear interest at commercial rate. The Group has recognised the corresponding liabilities to respective external clients and other institutions as accounts payable (note 33). 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 amounts comprise cash held by the Group and a short-term bank deposit at market interest rate of 0.25% (2020: 0.25%) per annum with an original maturity of three months or less.

Details of impairment assessment for the years ended 31 December 2021 and 2020 are set out in note 42.

32. AMOUNTS DUE FROM RELATED COMPANIES

These companies are subsidiaries of CASH and are regarded as related companies of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

33. ACCOUNTS PAYABLE

	2021 HK\$'000	2020 HK\$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses and brokers	9,715	923
Cash clients	522,630	621,726
Margin clients	94,477	120,519
Accounts payable to clients arising from the business of dealing in futures and options	72,489	113,108
Accounts payable to independent financial advisors arising from the business of wealth management services	1,777	–
	701,088	856,276

The settlement terms of accounts payable from the business of dealing in securities are two days after trade date, and accounts payable arising from the business of dealing in futures and options contracts are one day after trade date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

Accounts payable to independent financial advisors arising from business of wealth management services are generally settled within 30 days upon receipt of payments from product issuers/clients.

Except for the accounts payable to clients arising from the business of dealing in securities which bear interest at a fixed rate, all other accounts payable are non-interest bearing.

Accounts payable amounting to HK\$660,971,000 (2020: HK\$732,123,000) are payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

34. ACCRUED LIABILITIES AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Accrued liabilities		
– Accrual for salaries and commission	588	3,843
– Other accrued liabilities	7,663	7,904
Other payables	16,681	11,476
	24,932	23,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

35. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Bank loans, secured	73,026	110,804
Based on scheduled repayment dates set out in the loan agreements, the carrying amount of bank loans is repayable:		
Within one year	–	304
In the second year	–	–
In the third to fifth year	–	–
	–	304
Carrying amount of bank loans containing a repayment on demand clause and repayable:		
Within one year	73,026	110,500
	73,026	110,804
Less: Amount due within one year shown under current liabilities	(73,026)	(110,804)
Amount due after one year shown under non-current liabilities	–	–

The Group's bank borrowings as at 31 December 2021 and 2020 are guaranteed and/or secured by:

- (a) corporate guarantees from the Company for both years;
- (b) corporate guarantees from certain subsidiaries of the Company for both years;
- (c) marketable securities of the Group's clients with fair value of HK\$142,256,000 (2020: HK\$196,897,000) at 31 December 2021 (with clients' consent); and
- (d) bank deposits of HK\$25,231,000 as at 31 December 2020 as disclosed in note 30.

Bank loans amounting to HK\$73,026,000 (2020: HK\$110,804,000) are variable-rate borrowings which carry interest with reference to HIBOR.

The effective interest rates on the Group's borrowings are also equal to the contracted interest rates of 1.5% to 5% (2020: 1.3% to 4.6%) per annum.

36. LOAN FROM A RELATED PARTY

The amounts are unsecured, carried interest rate at Hong Kong Prime and repayable after one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

37. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and the movements thereon during the current and the prior reporting years:

Deferred tax liabilities

	Revaluation of investment property HK\$'000
At 1 January 2020, 31 December 2020 and 1 January 2021	(40)
Deferred tax credited to profit or loss during the year (note 16)	40
At 31 December 2021	–

At 31 December 2021, the Group has estimated unused tax losses of approximately HK\$519,849,000 (2020: HK\$479,843,000) and deductible temporary differences of HK\$40,172,000 (2020: HK\$47,917,000). No deferred tax asset has been recognised as at 31 December 2021 and 2020 in respect of these estimated unused tax losses and deductible temporary differences as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

Estimated unused tax losses of HK\$3,669,000 (2020: HK\$2,250,000) incurred by certain subsidiaries operating in PRC are subject to expiry periods of five years from the year in which the tax losses arose under the current tax legislation. The remaining estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

38. LEASE LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Lease liabilities payable:		
Within one year	11,220	10,832
More than one year but not exceeding two years	4,338	8,011
More than two years but not exceeding three years	3,500	1,269
	19,058	20,112
Less: amount due for settlement with 12 months shown under current liabilities	(11,220)	(10,832)
Amount due for settlement after 12 months shown under non-current liabilities	7,838	9,280

The weighted average incremental borrowing rates applied to lease liabilities ranged from 4% to 4.125% (2020: from 4% to 4.125%).

The Group leases various properties to operate its business and these liabilities were measured at the present value of the lease payments that are not yet paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

39. SHARE CAPITAL

	Number of shares ('000)		HK\$'000
	of HK\$0.02 per share	of HK\$0.4 per share	
Authorised:			
At 1 January 2020	15,000,000	–	300,000
Effect of share consolidation (note i)	(15,000,000)	750,000	–
At 31 December 2020 and 31 December 2021	–	750,000	300,000
Issued and fully paid:			
At 1 January 2020	4,955,763	–	99,115
Effect of share consolidation (note i)	(4,931,853)	246,593	–
Shares repurchased	(23,910)	(3,970)	(2,066)
At 31 December 2020	–	242,623	97,049
Shares issued upon exercise of share options under the share options scheme (note ii)	–	18,552	7,421
At 31 December 2021	–	261,175	104,470

For the year ended 31 December 2020, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.02 per share	Number of ordinary shares of HK\$0.4 per share	Price per share		Aggregate consideration paid HK\$'000
			Highest HK\$	Lowest HK\$	
Before share consolidation					
September 2020	23,910,000	N/A	0.027	0.025	617
After share consolidation					
September 2020	N/A	1,359,900	0.530	0.395	603
October 2020	N/A	510,000	0.445	0.390	218
November 2020	N/A	2,100,000	0.580	0.420	1,038
Total	23,910,000	3,969,900			2,476

The above ordinary shares were cancelled upon repurchase.

All new shares rank pari passu with the existing shares in all respects.

Notes:

- (i) Pursuant to the share consolidation completed on 7 September 2020, the authorised share capital of the Company of HK\$300,000,000 was divided into 750,000,000 shares, of which 247,788,179 consolidated shares was issued and fully paid. After the shares consolidation, every twenty of the then existing issued and unissued shares of par value of HK\$0.02 each in the share capital of the Company was consolidated into one consolidated share of par value of HK\$0.4 each.
- (ii) During the year ended 31 December 2021, share options were exercised to subscribe for 18,552,000 ordinary shares of the Company at a consideration of HK\$8,906,000, of which HK\$7,421,000 was credited to share capital and the balance of HK\$5,193,000 was credited to the share premium. HK\$3,708,000 has been transferred from the share option reserve to the share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

40. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiary HK\$'000
At 1 January 2020	8,501
Share of profit for the year	<u>37</u>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u>8,538</u>

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 35, loan from a related party in note 36 and lease liabilities disclosed in note 38, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 39, accumulated losses and other reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the issue of new shares and share options as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
At FVTPL	104,942	87,858
At FVTOCI	27,679	25,649
At amortised cost	1,117,053	1,297,961
Financial liabilities		
Amortised cost	851,058	978,556

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, accounts receivable, loans receivable, amounts due from related companies, deposits and other receivables, bank deposits, bank balances, bank borrowings, lease liabilities, amounts due from related parties, loan from a related party, other payables and accounts payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity and other price risks

The Group has a portfolio of equity securities held for trading which are measured at FVTPL and expose the Group to price risk. In both years, the directors of the Company manage the exposure by closely monitoring the portfolio of equity securities held for trading and imposing trading limits on individual trades.

In addition, the Group also invested in unlisted equity investments and unlisted fund investment for long-term strategic purposes which had been designated at FVTOCI and classified at FVTPL respectively.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of listed equity securities held for trading at the end of the reporting period.

As at 31 December 2021, if the market bid prices of the Group's listed equity investments had been 15 percent (2020: 15 percent) higher/lower, the Group's loss after taxation would decrease/increase by HK\$14,911,000 (2020: HK\$12,378,000). This is attributable to the changes in fair values of the listed equity investments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to bank deposits subject to condition, accounts payable to clients arising from business of dealing in securities and lease liabilities. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, accounts receivable arising from the business of margin financing, loans receivable and bank borrowings carrying interest at prevailing market rates. However, management closely monitors its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 (2020: 50) basis points ("bps") change representing management's assessment of the reasonably possible change in interest rates is used.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Prime Rate and HIBOR arising from the Group's respective RMB and USD denominated financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial assets and liabilities at amortised cost, bearing variable interest. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole year. When reporting to management of the Group on the interest rate risk, a 50 bps increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as these are subject to minimal interest rate fluctuation. A positive number below indicates a decrease in loss after taxation of the Group or vice versa.

	2021 HK\$'000	2020 HK\$'000
Loss after taxation for the year		
Increase by 50 bps	(291)	(143)
Decrease by 50 bps	291	143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

The group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets and liabilities denominated in foreign currencies.

The exposure primarily arises from the receivables from foreign brokers, foreign currency deposits with banks and accounts payable to clients denominated in USD and RMB. The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise. The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view that Hong Kong dollar is pegged to USD.

The carrying amounts of the major foreign currency denominated monetary assets and monetary liabilities of the Group at the reporting date are as follows:

	Liabilities		Assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
USD	62,045	105,221	108,114	183,353
RMB	39,337	3,068	72,549	40,841

As at 31 December 2021, if RMB had strengthened/weakened by 5% (2020: 5%) against HK\$ and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK\$1,661,000 (2020: HK\$1,889,000). Under the pegged exchange rate system, the financial impact in exchange fluctuation between HK\$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

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

Credit risk and impairment assessment

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposure and related impairment assessment are summarised below.

In order to minimise the credit risk on brokerage and financing services, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on delinquent receivables. In addition, the Group has a policy for assessing the credit risk of accounts and loans receivable. The assessment is based on a close monitoring and evaluation of collectability and on management's judgment, including the ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, etc. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

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 contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit management and assessment	12-month or lifetime ECL	2021 Gross carrying amount HK\$'000	2020 Gross carrying amount HK\$'000
Financial assets at amortised cost						
Loans receivable	27	N/A	Notes 1,5	12-month ECL Credit-impaired	40,665 1,929	14,091 956
					42,594	15,047
Bank balances	31	A3 - Aa1 Baa3 - Baa1 (notes 2,5)	N/A N/A	12-month ECL 12-month ECL	844,961 19,590	902,214 38,768
					864,551	940,982
Bank deposits subject to conditions	30	A3 (notes 2,5)	N/A	12-month ECL	-	25,231
Accounts receivable arising from contracts with customers under HKFRS 15	25	N/A	Note 3	Lifetime ECL (not credit-impaired)	153	193
Accounts receivable arising from the business of dealing in securities, futures and options	25	N/A	Note 6	12-month ECL	87,610	183,815
Accounts receivable arising from the business of margin financing	25	N/A	Note 4	12-month ECL Lifetime ECL (not credit-impaired) Credit-impaired	73,250 1,564 23,489	108,828 13,199 27,465
					98,303	149,492
Deposits and other receivables	28	N/A	Note 5	12-month ECL	29,154	6,953
Amounts due from related companies	32	N/A	Note 5	12-month ECL	1,001	1,341
Other item						
Contract assets	26	N/A	Note 3	Lifetime ECL (not credit-impaired)	4,813	2,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1. In order to minimise the credit risk, the management of the Group closely evaluates the borrower's financial background and repayment abilities. The assessment is based on a close monitoring and evaluation of the collectability of each individual account and the past collection history. As at 31 December 2021, the Group had concentration of credit risk on loans receivable as 66% (2020: 70%) of the outstanding balance is from the top five (2020: four) borrowers. During the year, the management considered an unsecured loan overdue more than 90 days of HK\$1,929,000 (2020: HK\$956,000) to be uncollectable and fully impaired. The loans receivable of HK\$40,665,000 (2020: HK\$14,091,000) are not overdue and are considered to have no significant increase in credit risk since initial recognition. Accordingly, these are subject to 12-month ECL.
2. The Group has concentration of credit risk arising from bank balances which are mainly deposited with three banks. The credit risk on bank balances and bank deposits is limited because the counterparties are major institutional banks with credit ratings of Baa3 or higher assigned by international credit-rating agencies. These institutional banks have a low risk of default and there is no significant increase in credit risk since initial recognition. Accordingly, they are subject to 12-month ECL.
3. For contract assets, commission receivable from brokerage of general and life insurance, mutual funds and MPF products and accounts receivable arising from the provision of investment banking services, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the lifetime ECL on these items based on the Group's historical default rates or by reference to the PD and LGD of speculative grade ratings published by international credit rating agencies ("speculative grade ratings") over the expected life and is adjusted for forward-looking estimates. Majority of the balances are not past due as at 31 December 2021 and 2020.
4. As at 31 December 2021, the Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the five largest clients represent approximately 46% (2020: 45%) of total accounts receivable from margin clients. The Group considers that there is significant increase in credit risk since initial recognition and default indicator when the LTV ratio of a particular client has increased up to certain level for a certain period of time. The PD and LGD over the expected life of the accounts receivable are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort.

For non-credit impaired accounts receivable arising from margin financing, the management performed collective assessment and ECL are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort. For credit-impaired accounts receivable from margin clients, the management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

5. The ECL is assessed by reference to the PD and LGD for the relevant credit rating grades published by international credit rating agencies, and adjusted for forward-looking factors that are available without undue cost or effort. For exposure from non-rated counterparties, the Group has assessed the ECL by reference to the PD and LGD of speculative grade ratings.
6. For accounts receivable from cash clients was accounts receivable from clients arising from the business of dealing in securities, futures and options, are which normally had a delivery-against payment settlement term of one or two days.

The Group ensures that the exposures are limited to reputable counterparties, such as the financial institutions, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority, the SFC and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors. Accordingly, they are subject to 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Except for accounts receivable arising from margin financing and other receivables, the ECL impairment allowance determined for other financial assets carried at amortised cost and contract assets is insignificant and accordingly no provision has been made.

- (a) The following table shows the reconciliation of loss allowance that has been recognised for accounts receivable arising from margin financing.

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2020	180	545	22,921	23,646
– Transfer to lifetime ECL (credit-impaired)	(6)	(16)	22	–
– Transfer to lifetime ECL (not credit-impaired)	(63)	91	(28)	–
– Transfer to 12m ECL	7	(3)	(4)	–
– Impairment losses recognised	669	1,579	5,208	7,456
– Impairment losses reversed	(598)	(1,599)	(4,768)	(6,965)
As at 31 December 2020 and 1 January 2021	189	597	23,351	24,137
– Transfer to lifetime ECL (credit-impaired)	(25)	(84)	109	–
– Transfer to lifetime ECL (not credit-impaired)	(29)	63	(34)	–
– Transfer to 12m ECL	4	(2)	(2)	–
– Impairment losses recognised	653	2,249	7,320	10,222
– Impairment losses reversed	(659)	(2,751)	(6,361)	(9,771)
– Written off	–	–	(20,672)	(20,672)
As at 31 December 2021	133	72	3,711	3,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(b) The following table shows the reconciliation of loss allowance that has been recognised for loans receivable.

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2020	–	–	–	–
– Impairment losses recognised	–	–	956	956
As at 31 December 2020 and 1 January 2021	–	–	956	956
– Impairment losses recognised	–	–	1,441	1,441
As at 31 December 2021	–	–	2,397	2,397

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and customers. To address the risk, the treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates.

The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 1 month to 3 months HK\$'000	Between 3 months to 1 year HK\$'000	Over 1 to 5 years HK\$'000	Total contracted undiscounted cash flows HK\$'000	Carrying amount at reporting date HK\$'000
At 31 December 2021							
Accounts payable	0.001	683,114	17,974	-	-	701,088	701,088
Other payables	N/A	16,681	-	-	-	16,681	16,681
Bank borrowings	Note	73,061	-	-	-	73,061	73,026
Lease liabilities	4-4.125	-	2,598	9,188	8,152	19,938	19,058
Loan from a related party	5	-	-	-	65,887	65,887	60,263
		772,856	20,572	9,188	74,039	876,655	870,116

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 1 month to 3 months HK\$'000	Between 3 months to 1 year HK\$'000	Over 1 to 5 years HK\$'000	Total contracted undiscounted cash flows HK\$'000	Carrying amount at reporting date HK\$'000
At 31 December 2020							
Accounts payable	0.001	817,077	39,199	-	-	856,276	856,276
Other payables	N/A	11,476	-	-	-	11,476	11,476
Bank borrowings	Note	110,500	308	-	-	110,808	110,804
Lease liabilities	4 - 4.125	-	2,967	8,484	9,542	20,993	20,112
		939,053	42,474	8,484	9,542	999,553	998,668

Note: Variable-rate borrowings carry interest at HIBOR plus a spread. The prevailing market rate at the reporting date is used in the maturity analysis.

Bank borrowings and loan from a related party with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank borrowings amounted to approximately HK\$73,026,000 (2020: HK\$110,500,000) and loan from a related party amounted to approximately HK\$60,263,000 (2020: Nil), respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and related party will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements as disclosed in notes 35 and 36.

As at 31 December 2021, assuming the banks and related party will not exercise their discretionary rights to demand immediate repayment, the aggregate principal and interest cash outflows until the maturity date for such bank loans amount to approximately HK\$73,061,000 (2020: HK\$110,921,000) and loan from a related party amount to approximately HK\$65,887,000 (2020: Nil).

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Interest rate benchmark reform

As listed in note 35, several of the Group's HIBOR bank borrowings may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

For the floating rate loans that are linked to HIBOR, the management expects the HIBOR will continue to maturity. Accordingly, the management does not expect there is significant uncertainty or risks arising from the interest rate benchmark reform.

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Reasonable significant change in unobservable inputs	Increase(+)/ decrease(-) in fair value of financial instruments by reasonable change in unobservable inputs
	31 December 2021	31 December 2020						
	HK\$'000	HK\$'000						HK\$'000
Financial assets								
Financial assets at FVTPL								
Investments held for trading								
– Equity securities listed in Hong Kong	99,408	82,523	Level 1	Quoted prices in an active market	N/A	N/A	N/A	N/A
Investment held for long-term strategic purpose								
– Unlisted fund investment	5,534	5,335	Level 3	Net asset value of the fund calculated based on the discounted cash flows of underlying investments.	Net assets value	The higher the net assets value, the higher the fair value.	10%	2021: +553/-553 (2020: +534/-534)
Financial assets at FVTOCI								
– Unlisted equity investment	20,069	17,940	Level 3	Discounted cash flow method	Discount rate: 2021: 3.96% (2020: 7%)	The higher the discount rate, the lower the fair value.	10%	2021: -70/+70 (2020: -238/+232)
– Unlisted equity investment	7,610	5,354	Level 3	Market approach	Discount rate for lack of marketability: 2021: 20% (2020: 20%)	The higher the discount rate for lack of marketability, the lower the fair value.	10%	2021: -150/+150 (2020: -102/+102)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Reconciliation of level 3 fair value measurements

	Financial assets at FVTPL HK\$'000
As at 1 January 2020	–
Purchases	5,550
Total losses in profit or loss	<u>(215)</u>
As at 31 December 2020	5,335
Total gains in profit or loss	<u>199</u>
As at 31 December 2021	<u>5,534</u>

	Financial assets at FVTOCI HK\$'000
As at 1 January 2020	39,512
Total losses in other comprehensive income	<u>(13,863)</u>
As at 31 December 2020	25,649
Total gains in other comprehensive income	<u>2,030</u>
As at 31 December 2021	<u>27,679</u>

Included in other comprehensive income is an amount of unrealised gains of HK\$2,029,000 (2020: losses of HK\$13,863,000) related to unlisted equity investments at FVTOCI held as at 31 December 2021.

Included in profit or loss is an amount of unrealised loss of HK\$137,000 (2020: HK\$215,000) related to unlisted fund investment at FVTPL held as at 31 December 2021.

There were no transfers between Levels 1 and 2 in the current and prior years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting

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

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

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with cash clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis. The Group has a legally enforceable right to set off the accounts receivable and payable with margin clients and the Group intends to settle the balances on a net basis. Cash and margin clients collectively referred to as the brokerage clients.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

As at 31 December 2021

	Gross amounts of recognised 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 set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral received* HK\$'000	
Financial assets						
Accounts receivable arising from the business of dealing in securities and margin financing	318,942	(157,775)	161,167	(3,076)	(119,176)	38,915

As at 31 December 2020

	Gross amounts of recognised 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 set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral received* HK\$'000	
Financial assets						
Accounts receivable arising from the business of dealing in securities and margin financing	826,078	(583,985)	242,093	(6,555)	(172,495)	63,043

* These represents market value of shares pledged by customers, which are capped at the outstanding balances of respective customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

42. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

As at 31 December 2021

	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Gross amounts of recognised financial liabilities presented in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral paid HK\$'000	
Financial liabilities						
Accounts payable arising from the business of dealing in securities	784,597	(157,775)	626,822	-	-	626,822

As at 31 December 2020

	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Gross amounts of recognised financial liabilities presented in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral paid HK\$'000	
Financial liabilities						
Accounts payable arising from the business of dealing in securities	1,327,153	(583,985)	743,168	-	-	743,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

43. 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 (note 35)	Amounts due to related parties HK\$'000 (note 32)	Loan from a related party HK\$'000 (note 36)	Lease liabilities HK\$'000 (note 38)	Total HK\$'000
As 1 January 2020	149,397	198	–	26,921	176,516
Financing cash flows:					
– Advances from bank borrowings	16,356,600	–	–	–	16,356,600
– Repayment of bank borrowings	(16,395,225)	–	–	–	(16,395,225)
– Repayments to related parties	–	(865)	–	–	(865)
– Advances from related parties	–	667	–	–	667
– Repayments of lease liabilities	–	–	–	(8,426)	(8,426)
– Interest paid	(10,081)	–	–	(970)	(11,051)
Inception of new leases	–	–	–	1,651	1,651
Negative variable lease payment	–	–	–	(34)	(34)
Interest expense	10,113	–	–	970	11,083
At 31 December 2020 and 1 January 2021	110,804	–	–	20,112	130,916
Financing cash flows:					
– Advances from bank borrowings	21,122,210	–	–	–	21,122,210
– Repayment of bank borrowings	(21,160,014)	–	–	–	(21,160,014)
– Advances from related party	–	–	60,000	–	60,000
– Repayments of lease liabilities	–	–	–	(11,209)	(11,209)
– Interest paid	(6,407)	–	–	(751)	(7,158)
Inception of new leases	–	–	–	10,155	10,155
Interest expense	6,433	–	263	751	7,447
At 31 December 2021	73,026	–	60,263	19,058	152,347

Non-cash transaction

During the year, the Group entered into various lease agreements for the use of leased properties for one to two years (2020: one to two years). On the commencement, the Group recognised right-of-use assets of HK\$11,006,000 (2020: HK\$1,678,000) and lease liabilities of HK\$10,155,000 (2020: HK\$1,651,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

44. SHARE OPTION SCHEME

The share option scheme was adopted pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 8 June 2018 (the "Share Option Scheme").

The major terms of the Share Option Scheme are summarised as follows:

- (i) The purpose is to provide incentives to:
 - award and retain the participants who have made contributions to CASH and its subsidiaries and associates, including the Group ("CASH Group"); or
 - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants include any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the CASH Group.
- (iii) The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 26,117,477 (2020: 24,778,817) shares, representing around 10% (2020: 10%) of the issued share capital of the Company as at 31 December 2021. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.
- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Share Option Scheme or any other share option scheme within any 12-months period, must not exceed 1% of the shares in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

44. SHARE OPTION SCHEME (continued)

- (v) There is no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company ("Board") and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the Board of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to the Company.
- (viii) The exercise price of an option must be the highest of:
- the closing price of the shares on the date of grant which day must be a trading day;
 - the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
 - the nominal value of the share.
- (ix) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 7 June 2028.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Share options to the directors, employees and others providing similar services and business consultants, and exercise price are as follows for the reporting periods presented:

Name	Date of grant	Exercise period	Exercise price (HK\$)	Notes	Number of options ('000)					
					As at 1 January 2021	Granted during the year	Exercised during the year (note (g))	Lapsed during the year	Adjustment for shares consolidation	As at 31 December 2021
Directors	29/03/2019	01/05/2019 - 30/04/2022	1.42	(b)	4,950	-	-	(1,238)	-	3,712
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(d)	9,888	-	(9,888)	-	-	-
	29/07/2021	01/08/2021 - 31/07/2023	0.572	(f)	-	8,100	-	-	-	8,100
	29/07/2021	01/08/2021 - 31/07/2025	0.572	(f)	-	900	-	-	-	900
Employees	29/03/2019	01/05/2019 - 30/04/2022	1.42	(b)	5,688	-	-	(1,760)	-	3,928
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(d)	8,664	-	(6,192)	-	-	2,472
	29/07/2021	01/08/2021 - 31/07/2023	0.572	(f)	-	1,800	-	-	-	1,800
	29/07/2021	01/08/2021 - 31/07/2025	0.572	(f)	-	10,140	-	(300)	-	9,840
Individuals providing services similar to employees	29/03/2019	01/05/2019 - 30/04/2022	1.42	(b)	2,136	-	-	(534)	-	1,602
	04/06/2019	04/06/2019 - 03/06/2022	1.04	(c)	798	-	-	-	-	798
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(d)	4,944	-	(2,472)	-	-	2,472
	29/07/2021	01/08/2021 - 31/07/2023	0.572	(f)	-	3,810	-	-	-	3,810
Business consultants	04/06/2019	04/06/2019 - 03/06/2022	1.04	(c)	1,992	-	-	-	-	1,992
					39,060	24,750	(18,552)	(3,832)	-	41,426
Exercisable as at 31 December 2021										4,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

44. SHARE OPTION SCHEME (continued)

Name	Date of grant	Exercise period	Exercise price (HK\$)	Notes	Number of options ('000)					As at 31 December 2020
					As at 1 January 2020	Granted during the year	Reallocated upon change of directorate	Lapsed during the year	Adjustment for shares consolidation	
Directors	31/08/2017	01/01/2018 - 31/12/2020	5.06	(a)	146,000	-	(1,200)	(52,648)	(92,152)	-
	29/03/2019	01/05/2019 - 30/04/2022	1.42	(b)	180,000	-	-	(81,000)	(94,050)	4,950
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(d)	-	247,500	(2,472)	-	(235,140)	9,888
Employees	31/08/2017	01/01/2018 - 31/12/2020	5.06	(a)	73,000	-	1,200	(4,848)	(69,352)	-
	29/03/2019	01/05/2019 - 30/04/2022	1.42	(b)	186,000	-	-	(72,000)	(108,312)	5,688
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(d)	-	124,000	2,472	-	(117,808)	8,664
Individuals providing services similar to employees	31/08/2017	01/01/2018 - 31/12/2020	5.06	(a)	23,400	-	-	(1,170)	(22,230)	-
	29/03/2019	01/05/2019 - 30/04/2022	1.42	(b)	57,000	-	-	(14,250)	(40,614)	2,136
	04/06/2019	04/06/2019 - 03/06/2022	1.04	(c)	16,000	-	-	-	(15,202)	798
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(d)	-	99,000	-	-	(94,056)	4,944
Business consultants	31/08/2017	01/01/2018 - 31/12/2020	5.06	(a)	171,000	-	-	(8,544)	(162,456)	-
	04/06/2019	04/06/2019 - 03/06/2022	1.04	(c)	40,000	-	-	-	(38,008)	1,992
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(d)	-	24,000	-	(1,200)	(22,800)	-
					892,400	494,500	-	(235,660)	(1,112,180)	39,060
Exercisable as at 31 December 2020										23,496

Notes:

- (a) During the year ended 31 December 2017, a total of 413,400,000 options were granted to directors, employees and business consultants of the Group and will only be vested subject to the achievement of performance targets for the financial years ended 31 December 2017 to 2020. The options must be exercised within one month from the date the Board approves the entitlement of the options. As at 31 December 2020, all options lapsed as the relevant employees resigned from the Group or the options had expired. At 31 December 2020, the performance targets have not been achieved or do not expect to be achieved and thus no share-based compensation expense was recognised in the consolidated financial statements.
- (b) During the year ended 31 December 2019, a total of 440,000,000 options were granted to directors, employees and individuals providing services similar to employees of the Group and the granting of the options are subject to the achievement of performance targets determined at the sole discretion of the Board for the financial years ended/ending 31 December 2019 to 2022. As at 31 December 2021, 3,532,000 options (2020: 167,250,000 options) lapsed as the relevant employees resigned from the Group. At 31 December 2021 and 31 December 2020, the performance targets have not been achieved or do not expect to be achieved by the directors and employees and there was no satisfactory delivery of services to the Group by other service providers, thus no share-based compensation expense was recognised in the consolidated financial statements.
- (c) During the year ended 31 December 2019, the Group entered into arrangement with individuals providing services similar to employees and business consultants in respect of 56,000,000 options on 4 June 2019 for the provision of satisfactory services to the Group up to 31 December 2022. The individuals providing services similar to employees and business consultants will be entitled to the options upon the satisfactory delivery of services to the Group determined at the sole discretion of the Board. The options must be exercised within one month from the date the Board approves the entitlement of the options. At 31 December 2021 and 31 December 2020, there was no satisfactory delivery of services to the Group and thus no share-based compensation expense was recognised in the consolidated financial statements.
- (d) During the year ended 31 December 2020, a total of 494,500,000 options were granted to directors, employees and others providing similar services of the Group and the granting of the options are subject to the achievement of certain targets during the financial years ended 31 December 2020 to 2022. At 31 December 2020, the relevant targets have been achieved and share-based compensation expense was recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

44. SHARE OPTION SCHEME (continued)

Notes: (continued)

- (e) The number and the exercise price of options which remained outstanding have been adjusted due to share consolidation of the Company with effect on 7 September 2020.
- (f) During the year ended 31 December 2021, a total of 24,750,000 options were granted to directors, employees and individuals providing services similar to employees of the Group and the granting of the options are subject to the achievement of certain targets during the financial years ended 31 December 2021 to 2023 and 2025. At 31 December 2021, there was no satisfactory delivery of services to the Group and thus no share-based compensation expense was recognised in the consolidated financial statements.
- (g) 18,552,000 share options granted to directors, employees and individuals providing services similar to employees were exercised during the year ended 31 December 2021. The weighted average share price at the date of exercised was HK\$0.69.
- (h) The 2020 table is re-presented to conform to the current year's presentation.

Included in the number of share options outstanding, 4,944,000 (2020: 23,496,000) options are exercisable from 1 May 2020 to 30 April 2022. HK\$Nil (2020: HK\$4,698,000) share-based compensation expenses have been recognised in profit or loss for the year ended 31 December 2021.

During the years ended 31 December 2021 and 2020, no share options were cancelled.

The Black-Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The value of the options granted during the year ended 31 December 2021 was zero as the performance targets set for the options had not been achieved by the end of the year under review.

The fair value of share options granted on 29 April 2020 has been calculated using the Black-Scholes option pricing model. The estimated fair value of these share options calculated by the Black-Scholes option pricing model was HK\$4,945,000.

The inputs into the Black-Scholes Option Pricing Model were as follows:

Weighted average share price at the date of issue	HK\$0.024
Exercise price*	HK\$0.48
Average expected volatility (%)	70.9
Expected life (years)	1.3
Average risk-free rate (%)	1.0
Dividend yield (%)	0

* The exercise price have been adjusted due to 20-to-1 share consolidation of the Company which took effect on 7 September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

	Notes	2021 HK\$'000	2020 HK\$'000
Financial advisory fee received from CASH		–	200
Management fee expense paid to CASH		–	1,467
Commission income from Libra Capital Management (HK) Limited	(c)	–	9
Interest income from Libra Capital Management (HK) Limited	(c)	–	25
Commission income from Cashflow Credit Limited	(c)	1	–
Interest income from Cashflow Credit Limited	(c)	14	–
Commission income received from the following directors of the Company:			
Dr Kwan Pak Hoo Bankee		–	641
Mr Li Shing Wai Lewis		1	3
Mr Kwan Teng Hin Jeffrey		5	17
Mr Kwok Ka Lok Lionel	(b)	33	5
Mr Cheung Wai Lim William	(d)	19	N/A
Mr Ng Hin Sing Derek	(b)	2	17
Mr Cheung Wai Ching Anthony	(a)	N/A	10
Mr Chan Chi Ming Benson	(a)	N/A	2
		60	695
Interest income received from the following directors of the Company:			
Dr Kwan Pak Hoo Bankee		80	236
Mr Li Shing Wai Lewis		175	9
Mr Kwan Teng Hin Jeffrey		110	81
Mr Kwok Ka Lok Lionel	(b)	125	2
Mr Cheung Wai Lim William	(d)	140	N/A
Mr Ng Hin Sing Derek	(b)	18	103
Mr Cheung Wai Ching Anthony	(a)	N/A	52
		648	483
Interest expense payable to a company owned by			
Dr Kwan Pak Hoo Bankee		263	–

Notes:

- (a) During the year ended 31 December 2020, Mr Cheung Wai Ching Anthony and Mr Chan Chi Ming Benson resigned as executive directors of the Company.
- (b) During the year ended 31 December 2020, Mr Kwok Ka Lok Lionel and Mr Ng Hin Sing Derek were appointed as executive directors of the Company. Mr Ng Hin Sing Derek resigned as executive director of the Company during the year ended 31 December 2021.
- (c) Libra Capital Management (HK) Limited and Cashflow Credit Limited are subsidiaries of CASH, the substantial shareholder of the Company.
- (d) During the year ended 31 December 2021, Mr Cheung Wai Lim William was appointed as executive director of the Company.

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 11.

The remuneration of directors is determined by the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

46. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the respective reporting period are set out below:

Name	Place of incorporation	Paid up issued share capital	Proportion of issued share capital held by the Company				Principal activities
			2021		2020		
			Direct interest %	Indirect interest %	Direct interest %	Indirect interest %	
CASH Asset Management Limited	Hong Kong	Ordinary HK\$10,000,000	–	100	–	100	Provision of asset management services
CASH Wealth Management Limited	Hong Kong	Ordinary HK\$15,000,000	–	100	–	100	Financial advisory consultancy
CASH Payment Services Limited	Hong Kong	Ordinary HK\$2	–	100	–	100	Provision of payment gateway services
Celestial Asset Management Limited	Hong Kong	Ordinary HK\$6,781,401	–	100	–	100	Provision of treasury management functions and investment holding and trading
Celestial Capital Limited	Hong Kong	Ordinary HK\$30,000,000	–	100	–	100	Provision of corporate finance, investment and financial advisory services [#]
Celestial Finance Limited	Hong Kong	Ordinary HK\$121,000,002	–	100	–	100	Money lending
Celestial Commodities Limited	Hong Kong	Ordinary HK\$50,000,000	–	100	–	100	Brokerage of futures and options
Celestial Securities Limited	Hong Kong	Ordinary HK\$140,000,000	–	100	–	100	Brokerage of securities and equity options
CASH Trinity Buillion Limited	Hong Kong	Ordinary HK\$2	–	100	–	100	Investment holding and trading
CASH Family Office Company Limited (formerly known as Agostini Limited)	Hong Kong	Ordinary HK\$100	–	51	–	100	Investment holding and trading
Victory Glory Investments Limited	Hong Kong	Ordinary HK\$1	–	100	–	100	Investment trading
Think Right Investments Limited	British Virgin Islands	Ordinary US\$1	–	100	–	100	Properties holding
Celestial Financial Services Limited	British Virgin Islands	Ordinary US\$10,000	100	–	100	–	Investment holding
CASH Mobile Financial Services Limited	Hong Kong	Ordinary HK\$10,000,000	–	100	–	100	Provision of management services for group companies
Celestial (China) Asset Management Limited	British Virgin Islands	Ordinary US\$500,000	–	100	–	100	Investment holding
Weever FinTech Limited	Hong Kong	Ordinary HK\$48,500,000	–	76.1	–	76.1	Brokerage of cryptocurrencies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

46. SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of issued share capital held by the Company				Principal activities
			2021		2020		
			Direct interest %	Indirect interest %	Direct interest %	Indirect interest %	
Libra Capital Manager Limited	British Virgin Islands	Ordinary US\$3	-	100	-	100	Investment holding
CFSG China Investment Limited	British Virgin Islands	Ordinary US\$1	-	100	-	100	Investment holding
Golden Riverside Industrial Limited	Hong Kong	Ordinary HK\$102	-	100	-	100	Investment holding
CFSG FinTech Group Limited	British Virgin Islands	Ordinary US\$1	100	-	100	-	Investment holding
上海懿睿股權投資基金管理有限公司 (translated as Shanghai Yirui Equity Investment Fund Management Company Limited) ("Shanghai Yirui")*	PRC	Ordinary RMB7,000,000	-	100	-	100	Investment holding

* Shanghai Yirui is a limited liability company established in the PRC. Shanghai Yirui is indirectly held by the Company through contractual arrangements by the registered owners, being Ms Wei Li (holder of 95% of the equity interests) and Ms Mao Jie (holder of 5% of the equity interests), of Shanghai Yirui.

The business was ceased during the year ended 31 December 2021.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

None of the subsidiaries had issued any debt securities at the end of the year.

47. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of the mandatory contribution amount was HK\$1,500 per employee per month. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited voluntary contributions. None of the forfeited contributions was utilised in this manner for the year ended 31 December 2021 and 2020.

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 12%, 22%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

The employer's contributions to the MPF Scheme and various benefits schemes in the PRC are disclosed separately in notes 10, 11 and 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

48. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Unlisted investments in subsidiaries	59,779	118,060
Amounts due from subsidiaries	456,023	563,743
	515,802	681,803
Current assets		
Amount due from a subsidiary	–	2,075
Bank balances (general accounts)	6,150	2,377
	6,150	4,452
Current liabilities		
Accrued liabilities and other payables	733	284
Amounts due to subsidiaries	186,720	324,661
	187,453	324,945
Net current liabilities	(181,303)	(320,493)
Non-current liabilities		
Loan from a related party	60,263	–
Net assets	274,236	361,310
Capital and reserves		
Share capital	104,470	97,049
Reserves	169,766	264,261
Total equity	274,236	361,310

(b) Reserves movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	604,542	80	–	(303,387)	301,235
Loss and total comprehensive expense for the year	–	–	–	(41,262)	(41,262)
Recognition of equity-settled share-based payment	–	–	4,698	–	4,698
Shares repurchased	(410)	–	–	–	(410)
At 31 December 2020	604,132	80	4,698	(344,649)	264,261
Loss and total comprehensive expense for the year	–	–	–	(95,980)	(95,980)
Shares issued upon exercise of share options	5,193	–	(3,708)	–	1,485
At 31 December 2021	609,325	80	990	(440,629)	169,766

APPENDIX – FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	96,863	103,688	107,492	123,445	133,607
Loss before taxation	(53,510)	(39,141)	(116,890)	(144,470)	(46,033)
Taxation credit (charge)	40	–	–	–	(49)
Loss for the year	(53,470)	(39,141)	(116,890)	(144,470)	(46,082)
Attributable to:					
Owners of the Company	(53,470)	(39,178)	(114,048)	(144,132)	(46,082)
Non-controlling interests	–	37	(2,842)	(338)	–
	(53,470)	(39,141)	(116,890)	(144,470)	(46,082)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Property and equipment	22,930	16,430	21,748	9,246	8,420
Intangible assets	9,092	9,092	9,092	9,092	9,092
Other non-current assets	44,159	60,056	85,560	50,617	43,651
Current assets	1,219,396	1,382,890	1,387,207	1,680,992	1,804,902
Total assets	1,295,577	1,468,468	1,503,607	1,749,947	1,866,065
Current liabilities	814,301	1,004,135	980,493	1,122,106	1,129,686
Non-current liabilities	68,908	10,453	19,316	3,932	7,351
Total liabilities	883,209	1,014,588	999,809	1,126,038	1,137,037
Net assets	412,368	453,880	503,798	623,909	729,028
Non-controlling interests	8,538	8,538	8,501	11,343	–

Note: In 2019, the Group has applied HKFRS 16 that is effective for accounting periods beginning on or after 1 January 2019 without restating comparatives. In 2018, the Group had applied HKFRS 9 and HKFRS 15 that were effective for accounting periods beginning on or after 1 January 2018 without restating comparatives. Accordingly, the corresponding comparative amounts in 2018 and 2017 are not comparable with amounts shown for 2021, 2020 and 2019.

DEFINITIONS

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

“AGM(s)”	the annual general meeting(s) of the Company
“Audit Committee”	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
“Board”	the board of Directors
“CASH”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board. It is the substantial Shareholder indirectly held through CIGL
“CASH Asset Management”	CASH Asset Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 9 (asset management) regulated activity
“CASH Group”	CASH and its subsidiaries
“Cash Guardian”	Cash Guardian Limited, a company incorporated in the British Virgin Islands with limited liability, is the substantial shareholder of CASH and an associate of Dr Kwan Pak Hoo Bankee
“CASH Wealth Management”	CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities
“Cashflow Credit”	Cashflow Credit Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CASH
“Celestial Commodities”	Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity
“Celestial Securities”	Celestial Securities Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity
“CEO”	the chief executive officer of the Company

DEFINITIONS

“CFO”	the chief financial officer of the Company
“CG Code”	the Corporate Governance Code as contained in Appendix 14 of the Listing Rules
“CIGL”	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, is an indirect wholly-owned subsidiary of CASH. It is the substantial Shareholder
“Company” or “CFSG”	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board. It is an associated company of CASH
“Company Secretary”	the company secretary of the Company
“Confident Profits”	Confident Profits Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of CASH. It is the holding company of the Confident Profits Group
“Confident Profits Group”	Confident Profits Limited and its subsidiaries
“COO”	the chief operating officer of the Company
“Director(s)”	the directors of the Company
“ED(s)”	the executive Director(s) of the Company
“Group”	the Company and its subsidiaries
“INED(s)”	the independent non-executive Director(s) of the Company
“Libra Capital”	Libra Capital Management (HK) Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of CASH
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange
“Management”	the management team of the Company
“Model Code”	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
“NED(s)”	the non-executive Director(s) of the Company
“Nomination Committee”	the nomination committee of the Company established pursuant to the Listing Rules subsequent to the date of this report

DEFINITIONS

“Remuneration Committee”	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
“SFC”	the Hong Kong Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM(s)”	the special general meeting(s) of the Company
“Share(s)”	ordinary shares of HK\$0.4 each in the share capital of the Company
“Share Option Scheme”	the existing share option scheme of the Company adopted by the Company pursuant to an ordinary resolution passed at an AGM held on 8 June 2018
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China
“UK”	United Kingdom
“US”	United States

If there is any inconsistency in this report between the Chinese and English versions, the English version shall prevail.

