盛源 SHENG YUAN

盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 851

ANNUAL REPORT 2022

SHENG YUAN HOLDINGS LIMITED
ANNUAL REPORT 2022

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Zhao Yun
Mr. Zhou Quan
Mr. Liu Zilei (Resigned on 19 May 2022)

Non-Executive Directors
Mr. Ma Baojun *(Chairman)* (Appointed on 20 May 2022)
Mr. Huang Shuanggang

Independent Non-Executive Directors
Mr. Zhang Jinfan
Ms. Wen Han Qiuzi (Resigned on 1 September 2022)
Ms. Huang Qin
Mr. Guo Yaoli (Appointed on 21 November 2022)

AUDIT COMMITTEE
Ms. Huang Qin *(Chairman)*
Mr. Zhang Jinfan
Mr. Huang Shuanggang

REMUNERATION COMMITTEE
Mr. Zhang Jinfan *(Chairman)*
Ms. Huang Qin
Mr. Guo Yaoli

NOMINATION COMMITTEE
Mr. Ma Baojun *(Chairman)*
Mr. Zhang Jinfan
Mr. Guo Yaoli

COMPANY SECRETARY
Mr. Chiu Ming King *(FCG HKFCG (PE))*

STOCK CODE
851

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Bermuda

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Sheung Wan, Hong Kong

AUDITOR
BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

SOLICITORS
Paul Hastings LLP
22nd Floor
Bank of China Tower
1 Garden Road
Hong Kong

PRINCIPAL BANKERS
The Hong Kong and Shanghai Banking Corporation
Bank of China (Hong Kong) Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Financial Summary

The Group's business performance showed positive results, despite the negative impact of COVID-19. For the year ended 31 December 2022, the revenue of the Group slightly increased to approximately HK$59.9 million, representing a 38.3% increase as compared with approximately HK$43.3 million for the year ended 31 December 2021. Loss for the year ended 31 December 2022 was approximately HK$5.8 million, as compared with a profit of approximately HK$4.7 million for the year ended 31 December 2021. Such a decrease is primarily attributable to increases in some expense items, including, loss allowances on trade receivables and finance costs for the year ended 31 December 2022.

Operation and Financial Results of Business Segments

Securities Brokerage and Financial Services

The Group provides securities brokerage and financial services via two of its subsidiaries, Sheng Yuan Securities Limited ("SYS") and Sheng Yuan Capital (Hong Kong) Limited ("SYC").

SYS is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in the future contract), and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance ("SFO"). Through SYS, the Group provides underwriting and placing services in equity and debt capital transactions, securities and futures brokerage services for securities, futures, and options contracts, margin financing services, and custodian and handling services for client accounts on securities, futures, and options contracts. The fee and commission are based on a certain percentage of the total transaction amounts. As at 31 December 2022, SYS had a total number of 5 employees. 1 employee is licensed as responsible officer to conduct Type 1, Type 2, and Type 4 regulated activities. 2 employees are licensed as responsible officer to conduct Type 1 and Type 4 regulated activities. 1 employee is licensed as responsible officer to conduct Type 1 regulated activities and 1 employee is licensed as a representative to conduct Type 1 regulated activities. As at 31 December 2022, SYS maintained 723 client accounts, an increase from 653 client accounts as at 31 December 2021 due to the business development. There was approximately HK$82.4 million in client trust bank accounts, representing a 172% increase from HK$30.3 million as at 31 December 2021. Such an increase was mainly due to deposits from clients.

SYC is licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO. SYC provides corporate advisory services, for a fee, to corporate clients for their corporate actions to ensure the client's compliance with the Listing Rules and the Takeovers Code. Such corporate actions include IPO, placing of shares and other securities, mergers, and acquisitions, business restructuring, etc. As at 31 December 2022, SYC had 3 employees, 2 are licensed as responsible officers and 1 as a representative to conduct Type 6 (advising on corporate finance) regulated activity under the SFO.

During the year ended 31 December 2022, the total revenue of Sheng Yuan Financial Services Group Limited (a subsidiary of the Company) and its subsidiaries (collectively, the "SYFS Group") increased by approximately 16.6% to approximately HK$48.5 million (2021: HK$41.6 million). For securities business, revenue from securities brokerage and financial services during the year ended 31 December 2022 increased by 125.2% to approximately HK$27.7 million (2021: approximately HK$12.3 million); segment result recorded a profit of approximately HK$18.6 million (2021: approximately HK$6.1 million). Such an increase in both revenue and profit was mainly because some clients restart their Debt Capital Market ("DCM") and Equity Capital Market ("ECM") projects during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Asset Management

The Group provides asset management services via two of the Group's subsidiaries, Sheng Yuan Asset Management Limited ("SYAM") and Sheng Yuan Sino Asset Management Limited ("SYSAM"). Both SYAM and SYSAM are licensed to conduct Type 4 and Type 9 (asset management) regulated activities under the SFO. Via these two subsidiaries, the Group provides investment recommendations to clients on securities trading or portfolio management as an investment advisor, as well as investment management services for funds or discretionary accounts. The Group would charge a fixed rate management fee calculated based on the value of the net assets within the funds or discretionary accounts, as well as a performance fee calculated based on the increase in value of the net assets within the funds or discretionary accounts.

As at 31 December 2022, the asset management segment had 6 employees, of which 5 are employed by SYAM and 1 by SYSAM. Among the 5 employees of SYAM, 3 are licensed as responsible officers, and 2 are representatives. The employee of SYSAM is licensed as a responsible officer. All responsible officers and representatives at SYAM and SYSAM is licensed to conduct Type 4 and Type 9 regulated activities under SFO.

For asset management business, as of 31 December 2022, SYAM acted as the fund manager or investment adviser for 1 funds and 3 discretionary accounts. The total assets under management (the "AUM") of SYAM decreased by 62.8% to approximately HK$706 million for the year ended 31 December 2022 (2021: approximately HK$1.9 billion). During the year ended 31 December 2022, the Group recorded segment revenue of approximately HK$20.8 million (2021: approximately HK$29.4 million) generated from asset management business, representing a decrease of approximately 29.2%; it recorded segment profit of approximately HK$6.2 million (2021: profit of approximately HK$22.3 million), representing a decrease of approximately 72.2%. The decrease in the segment revenue was mainly to the decrease in management fee as a result of the redemption of the fund upon the maturity of some investment holdings, which resulted in a drop in total asset under management and thus the management fee income. In addition, the significant decrease in the segmented asset to HK$11.5 million (2021: HK$25.1 million) was mainly due to a one-off impairment of financial assets accounting for approximately HK$13.3 million. SYAM knows well of the dynamics in the capital market and owns an experienced investment team and unique analysis and advice.

Proprietary Trading

For proprietary trading business, the Company mainly invests, through its subsidiaries, in the listed shares and real estate bonds in the Hong Kong market. During the year ended 31 December 2022, as the cash position of the Group improved significantly, the Group resumed its proprietary trading business to expand its source of revenue. The segment loss from the proprietary trading business was approximately HK$1 million (2021: segment profit of approximately HK$1.1 million).

Product Trading

The Group also tried to resume its trading business during the year to expand and diversify its source of revenue. During the year ended 31 December 2022, the segment achieved a profit of approximately HK$0.1 million (2021: a loss of approximately HK$0.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE PLANS

Looking forward to 2023, the market conditions for Hong Kong remain uncertain and continue to face new challenges, as the city has controlled and recovered from COVID-19. Evolving China-US relations and geopolitical tensions are also risk factors that warrant attention. Due to the abovementioned factors, the Directors expect that there are still existences of uncertainties and adverse effects on the overall business of our Group with the weak economic conditions in Hong Kong. To cope with the challenging environments, the Group will continue to evaluate development opportunities to strengthen its competitive advantage through deploy more resources for seizing this market potential and broadening its revenue so as to generate value for shareholders. The Directors are confident to achieve sustainable growth from 2023 and bring greater returns to our shareholders.

The Group has formulated business plans to enhance its financial positions, as well as to develop its existing business operations. For the securities brokerage business, the Group will utilize its expertise and network to secure DCM and ECM deals in order to generate underwriting income. The Group will also step up its efforts in the asset management business by establishing additional funds of various types, developing more financial products, and expanding its customer base to keep abreast of the market trends by focusing on high-valued customers and potential professional investor groups, the Group also tries to resume its proprietary trading and trading business to expand its source of revenue. Furthermore, the management team is dedicated to continually taking active steps to control the Group's operating costs and improve operating efficiency in order to generate greater returns for its shareholders.

It is expected that with the successful implementation of these business plans, the Company may be able to generate positive cash flows from operations and significantly improve its operating performance.

ACQUISITION AND DISPOSAL

There were no material acquisitions or disposal during the year ended 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2022, cash and bank balances in general accounts maintained by the Group were approximately HK$79.9 million, representing an increase of approximately 15.6% from approximately HK$69.1 million as of 31 December 2021. Balances in trust and segregated accounts were approximately HK$82.4 million, representing an increase of approximately 171.9% from approximately HK$30.3 million as of 31 December 2021. Trade and other receivables, deposits and prepayments were approximately HK$18 million as at 31 December 2022, representing a decrease of approximately 37.1% from approximately HK$28.6 million in 2021. Such decrease is mainly due to increased loss allowances on trade receivables from asset management service and underwriting and placing services. Trade and other payables and accruals were approximately HK$99.7 million as at 31 December 2022 (2021: HK$41.8 million). The Group's current assets and current liabilities as of 31 December 2022 were approximately HK$198.7 million (2021: HK$131.3 million) and approximately HK$251.8 million (2021: HK$47.6 million), respectively. The long-term liability as of 31 December 2022 was nil (2021: HK$142.7 million). The gearing ratio of the Group, measured as total debts to total assets, was approximately 70% as at 31 December 2022 (2021: 88%). As at 31 December 2022, the Group recorded net liabilities of approximately HK$37.2 million (2021: HK$31.3 million). During the year ended 31 December 2022, the Group financed its operations with internally generated cash flow.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars, United States dollars ("USD"), and Renminbi ("RMB"). The Group has not implemented any foreign currency hedging policies. However, the Group's management will closely monitor exchange rate movement and will take appropriate actions to reduce the risks.

CAPITAL STRUCTURE

The Directors monitor the Group's capital structure by reviewing cash flow requirements and considering its future financial obligations and commitments. The capital structure of the Group comprises of issued share capital and reserves attributable to shareholders. A prudent financial management approach is adopted for our treasury policy to ensure that our liquidity structure comprising assets, liabilities, and other commitments are able to meet our capital requirements. The Directors review the Group's capital structure regularly. There are no changes in capital structure during the year.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

DIVIDEND POLICY

The Company has a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency, and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the bye-laws of the Company. In deciding whether to declare any dividend, the Board will take into account of a number of factors, including the financial results, the distributable reserves, the operations, and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

PLEDGE OF ASSETS

As at 31 December 2022, the Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2022, the Group employed 23 employees. The remuneration policy and package of the Group's employees are maintained at the market level and are reviewed annually by management. In addition to the basic salary, discretionary bonuses, mandatory pension fund, and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

The Group regards our staff as the most important asset and resource and provides regular training courses and a variety of development programs and has developed relevant training policies and procedures to enhance the effectiveness of such training programs.

During the Reporting Period, the Group has organized both internal and external training courses for employees. Such training courses covered topics including but not limited to industrial updates, compliance matters, occupational health, safety, etc.

BIOGRAPHICAL DETAILS OF DIRECTORS

Save as disclosed above, there is no relationship (including financial, business, family or other material relationship) among the members of the Board.

EXECUTIVE DIRECTOR

Mr. Zhou Quan, aged 39, was appointed as an executive Director in May 2019. Mr. Zhou obtained his master's degree in accountancy from The George Washington University. Mr. Zhou has extensive experience in the finance and accounting field. Currently, Mr. Zhou is the director of Yuanyin International Limited, a subsidiary of Yuanyin Holdings Limited.

Mr. Zhao Yun, aged 38, was appointed as a non-executive Director in May 2019 and re-designated as an executive Director in March 2020. Mr. Zhao was appointed as chief executive officer in May 2022. Mr. Zhao obtained his master's degree in economics from Southwest Jiaotong University. Mr. Zhao had worked as senior management with various large corporations in mainland China and gained extensive experience in corporate restructuring, IPO listing, business operations management, assets, and capital management. Currently, Mr. Zhao is a director of Yuanyin Holdings Limited, a substantial shareholder of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Ma Baojun, aged 59, was appointed as a non-executive Director in May 2022. He holds a bachelor's degree in arts from South-Central Minzu University (中南民族大學) (Hubei, the People's Republic of China) and an EMBA from the National University of Singapore (Singapore). He is a senior economist. Mr. Ma has served as an external supervisor of Bank of Zhengzhou Co., Ltd., a company listed on The Stock Exchange of Hong Kong Limited (stock code: 6196), since January 2018. Mr. Ma is also currently a director and a minor shareholder (3.17% of both shares and voting rights) of Yuanyin Holdings Limited, a substantial shareholder of the Company. Mr. Ma has extensive experience in the finance field. He has served as the chairman and general manager of Henan Songshan Technology and Innovation Fund Management Co., Ltd (河南嵩山科技創新基金管理有限公司) since December 2016, an executive director and general manager of Deyou (Hainan) Investment Co., Ltd. (德佑(海南)投資有限公司) since February 2021, and the chairman and general manager of Beijing Muse Financial Service Asset Management Co., Ltd (北京繆斯金服資產管理有限公司) since May 2021.

Mr. Huang Shuanggang, aged 59, was appointed as a non-executive Director in March 2020. He had served as the chief financial officer of Henan Zhaoteng Investment Co., Ltd. from 2010 to 2018 and a deputy director of Huajian Certified Public Accountants from 2000 to 2010. He worked at Henan Guanghua Financial Accounting Co., Ltd. from 1993 to 2000 and at the finance department of Zhongyuan Aluminum Plant from 1983 to 1993. Mr. Huang is currently a director of Yuanyin Holdings Limited, a substantial shareholder of the Company. Mr. Huang is a qualified accountant in the PRC. Mr. Huang has extensive experience in financial accounting, corporate management, and investment management.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Zhang Jinfan, aged 42, was appointed as an independent non-executive Director since May 2020. He received his Doctor of Philosophy ("PhD") in Finance from Yale University and PhD and Bachelor's degree in Electrical Engineering from Tsinghua University. Mr. Zhang has been an associate professor of finance in the School of Management and Economics and a co-director of Center for Macro-Financial Stability and Innovation under the Shenzhen Finance Institute of the Chinese University of Hong Kong (Shenzhen) since 2017. Before that, Mr. Zhang worked as an economist in global macroeconomics in the Monetary Policy and Financial Markets Department of the International Monetary Fund and as an assistant professor in the Cheung Kong Graduate School of Business. Mr. Zhang has extensive experience in research of finance and economics. His main research fields include financial institutions and markets, financial technology, and Chinese economy.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Huang Qin, aged 37, was appointed as an independent non-executive Director since June 2020. She has served as the finance director of Eyebuydirect Group, a subsidiary of Essilor Luxottica SA, a leading French optometry company, since 2019. Prior to this, Ms. Huang worked as a senior analyst in Shanghai Roche Pharmaceuticals Co., Ltd., as a senior auditor in Deloitte Touche Tohmatsu, and engaged in other financial and audit-related work. Ms. Huang received her master's degree in accounting from California State University, Los Angeles in 2009 and her bachelor's degree from Shanghai University of International Business and Economics in 2007. Ms. Huang has extensive experience in financial accounting and corporate management.

Mr. Guo Yaoli, aged 54, was appointed as an independent non-executive Director since November 2022. He has 23 years of experience in the PRC legal profession. He serves as a certified lawyer and senior partner of Beijing Dentons Law Firm now. Mr. Guo worked for the PRC government from 1993 to 1997. Since 1999, Mr. Guo has been working as a lawyer in various law firms in Beijing, China. From 2013 to 2019, he served as an independent director of Tianjin Port Co., Ltd. (天津港股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600717). Since 2017, he served as an independent director of Tianjin Ruixin Technology Co., Ltd. (天津鋭新昌科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300828). Since September 2022, he served as an independent non-executive director of Future World Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 0572). Mr. Guo received both his Bachelor of Laws degree and Master of Laws degree from the China University of Political Science and Law in 1993 and in 2001, respectively.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has established corporate governance practices which are based on the principles and code provisions set out in the Corporate Governance Code (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and has complied with the code provisions set out in Part 2 of the Code during the year ended 31 December 2022 except the following deviations:

The Code provision C.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Liu Zilei was appointed as an Executive Director, CEO, and Chairman with effect from 29 October 2021 until 19 May 2022. All major decisions are made in consultation with the Board members and the senior management of the Company. There are three Independent Non-Executive Directors in the Board. The Board considers that there is a sufficient balance of power and safeguards in place, and the current arrangement would not impair the balance of power of the Company.

The Code provision C.5.1 stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, only three regular board meetings were held and the Board reviewed and discussed, among others, the annual results, the interim results, and the performance of the Company. During the Reporting Period, the Directors were provided with relevant information of the Company regarding the operation and financial performance of the Group. The Board will endeavour to comply with the Code provision C.5.1 going forward.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

As at 31 December 2022, the Board comprised two Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors.

The composition of the Board's members during the year ended 31 December 2022 and up to the date of this report is as follows:

Executive Directors

Mr. Zhou Quan
Mr. Zhao Yun (appointed as Chief Executive Officer on 20 May 2022)
Mr. Liu Zilei *(Chairman of the Board and Chief Executive Officer)* (resigned on 19 May 2022)

Non-Executive Directors

Mr. Ma Baojun *(Chairman)* (appointed on 20 May 2022)
Mr. Huang Shuanggang

Independent Non-Executive Directors

Mr. Zhang Jinfan
Ms. Huang Qin
Mr. Guo Yaoli (appointed on 21 November 2022)
Ms. Wen Han Qiuzi (resigned on 1 September 2022)

CORPORATE GOVERNANCE REPORT

During the year under review (except the period from 1 September 2022 (the resignation of Ms. Wen Han Qiuzi as an independent non-executive Director) to 21 November 2022 (the appointment date of Mr. Guo Yaoli as an independent non-executive Director)), the Board has three independent non-executive Directors, comprising Mr. Zhang Jinfan, Ms. Huang Qin and Mr. Guo Yaoli, representing more than one-third of the Board, and at least one of the independent non-executive Directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) and 3.10A of the Listing Rules. A balanced composition of executive and non-executive Directors also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company and its Shareholders. All Directors are aware of the required levels of fiduciary duties, care, skill and diligence under Rule 3.08 of the Listing Rules.

Ms. Wen Han Qiuzi has tendered her resignation as the independent non-executive Director, a member of the Remuneration Committee of the Board and a member of the Nomination Committee with effect from 1 September 2022 in order to focus on her other personal and business commitments.

After the resignation of Ms. Wen Han Qiuzi on 1 September 2022, the Company deviated from Rule 3.10(1) of the Listing Rules which requires the Company to have at least three independent non-executive Directors and Rule 3.27A of the Listing Rules which requires the Nomination Committee to comprise a majority of independent non-executive Directors as members. The Company has recomplied with the requirements under Rules 3.10(1) and 3.27A of the Listing Rules when Mr. Guo Yaoli was appointed by the Board as an independent non-executive Director and a member of the Nomination Committee on 21 November 2022.

During the year ended 31 December 2022, three Board meetings were held. Details of the Directors' attendance records were as follows:

Name	Meetings attended/ Eligible to attend
Executive Directors	
Mr. Zhou Quan	3/3
Mr. Zhao Yun	3/3
Mr. Liu Zilei (resigned on 19 May 2022)	2/2
Non-executive Directors	
Mr. Ma Baojun *(Chairman)* (appointed on 20 May 2022)	1/1
Mr. Huang Shuanggang	3/3
Independent Non-executive Directors	
Mr. Zhang Jinfan	3/3
Ms. Huang Qin	3/3
Mr. Guo Yaoli (appointed on 21 November 2022)	0/0
Ms. Wen Han Qiuzi (resigned on 1 September 2022)	3/3

During the year ended 31 December 2022, two general meetings were held. Details of the Directors' attendance records were as follows:

Name	Meetings attended/ Eligible to attend
Executive Directors	
Mr. Zhou Quan	2/2
Mr. Zhao Yun	2/2
Mr. Liu Zilei (resigned on 19 May 2022)	0/0
Non-executive Directors	
Mr. Ma Baojun *(Chairman)* (appointed on 20 May 2022)	2/2
Mr. Huang Shuanggang	2/2
Independent Non-executive Directors	
Mr. Zhang Jinfan	1/2
Ms. Huang Qin	2/2
Mr. Guo Yaoli (appointed on 21 November 2022)	0/0
Ms. Wen Han Qiuzi (resigned on 1 September 2022)	2/2

The Board is responsible for formulation of the Group's strategies and policies, approval of the annual budget and business plan, and supervising the management of the day-to-day operation of the Group to ensure the business objectives are met. All Directors must act with integrity, lead by example, and promote the desired culture. Such culture should instill and continually reinforce across the organization values of acting lawfully, ethically and responsibly. In addition, the Board has also delegated various responsibilities to the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee"), and the audit committee (the "Audit Committee") of the Company. Further details of these committees are set out in this report.

The Board is collectively responsible for performing corporate governance duties including:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(e) to review the Company's compliance with the Code which is amended from time to time, and its disclosure in the corporate governance report.

Further details of the roles and functions of the Remuneration Committee, Nomination Committee and Audit Committee are set out below.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Board has reserved for its decisions all major matters of the Group including:

1. discussion on the Group's strategies and future development;
2. review of the term of appointment of Directors;
3. discussion on and approval of the financial results of the Group and the recommendation of any dividend;
4. approval of the appointment and resignation of Directors;
5. approval of the change of senior management;
6. approval of the change of company secretary and authorized representative;
7. review of the interim results of the Group for the six months ended 30 June 2022;
8. review of internal control system and risk management of the Group;
9. approval of the borrowing of term loans and renewal of the borrowings;
10. matters as required by laws and ordinances.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged at the expense of the Company whenever necessary. All newly appointed Directors have received an induction program on director's duties and obligations on corporate governance and regulating requirements immediately prior to or on their appointment.

The Directors are committed to complying with the Code provision C.1.4 on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided their training records for the financial year ended 31 December 2022 to the Company.

The table below summarises the participation of each of the Directors in continuous professional development during the year ended 31 December 2022:

Name of Director	Participated in continuous professional development[1]
Executive Directors	
Mr. Zhou Quan	√
Mr. Zhao Yun	√
Mr. Liu Zilei (resigned on 19 May 2022)	√
Non-executive Directors	
Mr. Ma Baojun *(Chairman)* (appointed on 20 May 2022)	√
Mr. Huang Shuanggang	√
Independent Non-executive Directors	
Mr. Zhang Jinfan	√
Ms. Huang Qin	√
Mr. Guo Yaoli (appointed on 21 November 2022)	√
Ms. Wen Han Qiuzi (resigned on 1 September 2022)	√

[1] Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman is primarily responsible for ensuring good corporate governance practices and procedures are adopted. The chairman holds a meeting with all independent non-executive Directors, without presence of other Directors annually.

The Company has not adopted C.2.1 of the Code by appointing separate individual to take up the roles of the chairman and chief executive officer during the period from 1 January 2022 to 20 May 2022, when Mr. Liu Zilei has been taking up the roles of the chairman and chief executive officer at the same time. From 20 May 2022, the company has appointed Mr. Ma Baojun as a Non-executive Director and Chairman of the board, and Mr. Zhao Yun as an executive Director and chief executive officer.

The Non-Executive Directors (including independent Non-Executive Directors) are appointed for one year subject to retirement by rotation and re-election as required by the bye-law of the Company (the "Bye-Law").

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;

2. to determine the specific remuneration packages of all Executive Directors and senior management and make recommendations to the Board of the remuneration of Non-Executive Directors;

3. to review and approve performance-based remuneration from time to time;

4. to review and approve the compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

5. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Currently, the members of the Remuneration Committee comprises three independent non-executive Directors, namely Mr, Zhang Jinfan (Chairman), Ms. Huang Qin, and Mr. Guo Yaoli. During the year ended 31 December 2022, the Remuneration Committee held one meeting. The attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Mr. Zhang Jinfan	1/1
Ms. Huang Qin	1/1
Mr. Guo Yaoli (appointed on 21 November 2022)	0/0
Ms. Wen Han Qiuzi (resigned on 1 September 2022)	1/1

Directors' remuneration policy

The remuneration of Directors comprises an annual directors' fee and may also be entitled to share option under the rules of the share option scheme adopted by the Company from time to time. Such remuneration is determined and recommended by the Remuneration Committee with reference to the respective Directors' qualifications, industry experience, position and performance, and the prevailing market conditions.

NOMINATION COMMITTEE

The Nomination Committee was established with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Nomination Committee include:

1. to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the CEO. The Nomination Committee should meet at least once a year and when the need arises.

2. to identify, recruit and evaluate new nominees to the Board and assess the qualifications of the directors. The criteria adopted to select and recommend candidates for directorship includes the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements.

Board Diversity Policy

The Board currently comprises of 7 directors, of which 2 are executive directors, 2 are non-executive directors and 3 are independent non-executive directors. 1 director is female and 6 directors are male. 3 are in the age group of 30-40; 1 in the age group of 41-50; and 3 in the age group of 51-60. The Board has an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business, 3 directors are in executive leadership & strategy; 3 directors are accounting professionals/financial management expertise and 1 director is in legal professionals/regulatory & compliance/risk management. The Board targets to maintain at least the current level of female representation.

The Board has adopted a Board Diversity Policy (the "Policy") to comply with the Code Provision on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board.

The Nomination Committee currently comprises one non-executive Director and two independent non-executive Directors, namely Mr. Ma Baojun (Chairman), Mr. Zhang Jinfan and Mr. Guo Yaoli. During the year ended 31 December 2022, the Nomination Committee held one meeting. The attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Mr. Ma Baojun (appointed on 20 May 2022)	0/0
Mr. Liu Zilei (resigned on 19 May 2022)	1/1
Mr. Zhang Jinfan	1/1
Mr. Guo Yaoli (appointed on 21 November 2022)	0/0
Ms. Wen Han Qiuzi (resigned on 1 September 2022)	1/1

During the meetings, the Nomination Committee reviewed the composition of the Board member.

Nomination Policy

The Company has adopted the nomination policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors.

The Nomination Committee shall first review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and then make recommendations to the Board on matters relating to the appointment of Directors.

When evaluating and determining the candidates of Directors, the Nomination Committee and the Board shall consider the following factors: personal characters; professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willing to devote sufficient time to fulfill the duties of the Directors and members of the Board committees; whether their appointment is in compliance with the requirements of the Listing Rules (including the independence requirements of independent non-executive Directors); whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

Workforce Diversity

Among all the employees, (including senior management) of the Company, male employees accounts for 65% and female employees accounted for 35%. The Company believes that the gender ratio (male: female) in the workforce is within the reasonable range. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce.

For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the ESG report.

Board Independence

The Company recognises that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board to ensure independent views and input are available to the Board and such mechanisms will be reviewed by the Board as appropriate from time to time. The Board believes that the following mechanisms are feasible and effective:

- The current composition of the Board comprising one third of the independent non-executive Directors and the members of the Audit Committee are all independent non-executive Directors, exceeds the independence requirements under the Listing Rules. The Remuneration Committee and Audit Committee are chaired by independent non-executive Directors.

- The independence of each independent non-executive Director is assessed upon his appointment and annually. All independent non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.

- The remuneration of independent non-executive Directors is subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload.

- Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

- The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Audit Committee include:

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

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

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

4. to review the Company's internal control and risk management systems.

The primary duties performed by the Audit Committee during the Reporting Period were reviewing the interim and annual results of the Company, providing oversight of the risk management and internal control systems, and monitoring the effectiveness of the audit process of the Company.

Currently, the Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely Ms. Huang Qin (Chairman), Mr. Huang Shuanggang and Mr. Zhang Jinfan. During the year ended 31 December 2022, the Audit Committee held three meetings and the attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Mr. Huang Shuanggang	3/3
Mr. Zhang Jinfan	3/3
Ms. Huang Qin	3/3

During the year ended 31 December 2022, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors.

CORPORATE GOVERNANCE REPORT

Anti-Corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for them or on their behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on a regular basis, any convicted cases will be reported to the legal and compliance department of the Company.

Whistleblowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the legal and compliance department of the Company.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its Purpose, Vision and Mission.

During 2022, the Company continued to strengthen its cultural framework by focusing on the following:

Vision: Value beyond numbers.

Mission: To create significant value for our stakeholders by applying and adhering to global standards of ethics and excellence in banking and finance, and fostering relationships built on sustainable trust.

Values:

- Trust : Ethical practices, integrity in our work and a commitment towards our team and our customers.
- Quality: Visible throughout the lifespan of every transaction through efficient, best of class services and products.
- Transparency: Honesty and straightforwardness in customer service at all times.
- Innovation: Commitment to embrace change translated via our spirit of adaptability, flexibility and creativity.
- Diversity: Inclusive and multi-faceted culture.

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

COMPANY SECRETARY

Mr. Chiu Ming King ("Mr. Chiu") has been appointed as the Company Secretary and an Authorized Representative on 8 May 2020. Mr. Chiu currently serves as a Managing Director of Corporate Services of Vistra Corporate Services (HK) Limited. He has over 17 years of experience in the company secretarial field. He is currently the joint company secretary/secretary of various listed companies in Hong Kong. Mr. Chiu has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries ("HKICS") since 2003 and became a fellow member of the HKICS since September 2015. He is also a holder of the Practitioner's Endorsement Certificate issued by HKICS. He has been a council member of HKICS from 2020, vice-chairman of the Membership Committee and chairman of Professional Services Panel of HKICS. Mr. Chiu obtained a Bachelor of Arts from University of Toronto in Canada in June 1999 and received a Master of Arts in professional accounting and information systems from City University of Hong Kong in November 2003.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the remunerations payable to the auditor of the Company, BDO Limited, are set out as follows:

Name	Services rendered Fee payable HK$'000
Audit services	1,430
Non-audit services	757

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is directly responsible for internal control of the Group and for reviewing its effectiveness. The Board conducts a review on the internal control system of the Group on an annual basis and has the responsibility to maintain an effective internal control system. The Board also reviews and monitors the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's internal control system is comprised of a system of controlled management wherein various authoritative limits are placed to ensure that the Group is able to supervise, control and assess various functions within Group. The system further permits the Group to safeguard its accounting records to minimize material errors in order to provide as accurate as possible financial information.

During the year under review, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group in order to maintain high standards of corporate governance. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. Based on the above, the Board is of the view that the Company has established a proper internal control system which is effective and adequate.

CORPORATE GOVERNANCE REPORT

The Company has formulated an inside information policy providing guideline on handling inside information. The Company regularly reminds the Directors and employees about compliance with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix 10 of the Listing Rules in relation to dealings in securities of the Company.

Internal Audit

The Group has established an internal audit function, which reports to the Audit Committee. The primary duties of the internal audit function include reviewing the financial conditions and internal control of the Group, and conducting comprehensive audits of the Group on a regular basis.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The statement of the auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 57 to 61 of this annual report. Saved as disclosed in the independent auditor's report under the heading "Material Uncertainty Related to Going Concern", the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern as at 31 December 2022.

The Directors wish to make the following statement with regard to the Material Uncertainty Related to Going Concern in the independent auditor's report:

The Group had incurred loss after tax of approximately HK$5.8 million (2021: profit after tax of approximately HK$4.7 million) and net operating cash inflows of approximately HK$10.7 million (2021:net operating cash inflows of approximately HK$6.6 million) for the year ended 31 December 2022. As at 31 December 2022, the Group's liabilities included trade and other payables and accruals of approximately HK$99.7 million and convertible bonds of HK$149 million as at 31 December 2022. As at 31 December 2022, the Group had cash and cash equivalents of approximately HK$79.9 million and net liabilities of approximately HK$37.2 million. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding with the above conditions, the financial statements were prepared based on the assumption that the Group can be operated as a going concern after taking into consideration of the following plans and measures:

- The substantial shareholder, Yuanyin Holdings Limited, has irrevocably undertaken that, in the absence of any event of default under the SYHL Bonds and subject to the fulfilment of all the conditions precedent of conversion, it is obliged to exercise its conversion rights to convert all of the SYHL Bonds to conversion shares before the end of the conversion period. Subsequent to year end date, the Company received a notice from Yuanyin Holdings Limited of its intention to exercise the conversion rights in respective of the SYHL Bonds in full, subject to the conversion conditions including inter alia, regulatory and shareholder's approval as stipulated in the terms and conditions of the SYHL Bonds;

- In the event that the conversion of shares is not completed during the conversion period of the SYHL Bonds, Yuanyin Holding Limited agrees to extend the subscription agreement of SYHL Bonds for another two years with all other clauses remain unchanged; and

- The Group is working on expanding its operations through soliciting new customers and shall continue to apply various measures to tighten its operating expenditures in order to improve its financial performance and cash flows.

NEW DETAILS OF THE NON-QUALIFIED OPINION

Considered that adequate disclosures of management judgement on such material uncertainty and mitigating factors has been made, the auditor's opinion would not be qualified in this respect, but such matter will be highlighted in the section headed "Materiality Uncertainty related to Going Concern" in the auditor's report.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full performance information of the Group to Shareholders through the publication of interim and annual reports. In additional to dispatching circulars, notices, financial reports to Shareholders, addition information is also available to Shareholders from the Group's website. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The chairman and Directors are available to answer question on the Group's business at the meeting.

Pursuant to the Bye-laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

Pursuant to rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions put to vote at the annual general meeting will be taken by way of poll. The chairman of the annual general meeting will explain the detailed procedure for conducting a poll at the commencement of the annual general meeting.

Shareholders who have enquiries to put to the Board may write to the company secretary of the Company at the principal place of business in Hong Kong at 26/F, No. 238 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries. For the avoidance of doubt, the Shareholder(s) must provide their full name, contact details and identification in order that the Company can give them a reply.

The Group values feedback from Shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business performance and strategies. The Company recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The Company adopted the shareholders communication policy, which set out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The shareholders communication policy will be reviewed on a regular basis by the Board.

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company held its annual general meeting on 14 June 2022 (the "AGM"). All resolutions proposed at the AGM were passed. For details, please refer to poll results announcement of the Company dated 14 June 2022.

Having considered the multiple channels of communication and shareholders engagement in the general meeting held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during 2022 and is effective.

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the year ended 31 December 2022, the Company adopted the New Bye-laws at an annual general meeting held on 14 June 2022. An updated version of the Bye-laws is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performances of Sheng Yuan Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "we"), and demonstrates our commitment to sustainable development.

The Group believes sustainability is the key to achieving continuous success, therefore we have integrated this concept into our business strategy. In order to pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into our risk management system. We adhere to the ESG management direction in accordance with the concept of sustainable development, and are committed to progressing effectively and responsibly against ESG affairs.

The ESG Governance Structure

The Group has established the ESG taskforce (the "Taskforce"). The Taskforce comprises core members from different departments of the Group and is responsible for collecting relevant information on ESG aspects for the preparation of the ESG Report. The Taskforce reports to the Board of Directors (the "Board") at least annually, assists in identifying and assessing the Group's ESG risks, and assesses the effectiveness of the Group's internal control mechanism. The Taskforce also examines and evaluates the performance in different aspects such as environment, labour standards, product responsibility and progress of implementation of targets in the ESG perspectives at least annually. The Board has the overall responsibility for the Group's ESG issues, including setting the general direction of the Group's ESG strategy and ensuring the effectiveness of ESG risk management and internal control mechanism. The Board is diverse in its composition and the members are equipped with the appropriate technical capabilities, experience, knowledge and perspectives required to supervise the ESG matters of the Group. In order to better manage the Group's ESG performance, related issues and potential risks, the Board discusses ESG issues collectively, evaluates and determines ESG-related risks and opportunities of the Group, reviews the materiality of ESG issues, as well as reviews its performance against ESG-related targets at least once a year.

REPORTING SCOPE

The reporting scope is determined based on the materiality and revenue contribution of the business segments under the Group's direct operational control. Unless otherwise stated, the ESG key performance indicators ("KPIs") data is reported on the basis of the same policies as the financial statements. Thus, the ESG Report covers the Group's business and operational activities in Hong Kong, including the securities brokerage and financial services segment, the asset management services segment, the proprietary trading segment, and the trading business segment.

The Group will continue to expand the scope of disclosure in the future when the data collection system of the Group is more refined and the sustainable development work is enhanced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING FRAMEWORK

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

Information relating to the Group's corporate governance practices has been set out in the Corporate Governance Report of this annual report.

During the preparation for this ESG Report, the Group has applied the Reporting Principles in the ESG Reporting Guide as follows:

Materiality: Materiality assessment has been conducted to identify material issues, 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 Board and Taskforce. For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes.

Consistency: Unless otherwise stated, the preparation approach of this ESG Report is consistent with the year ended 31 December 2021 ("2021") for comparison. If there are any other changes in the scope of disclosure and calculation methodologies that may affect comparison with previous reports, explanations will be provided to the corresponding data.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2022 (the "Reporting Period" or "2022").

STAKEHOLDER ENGAGEMENT

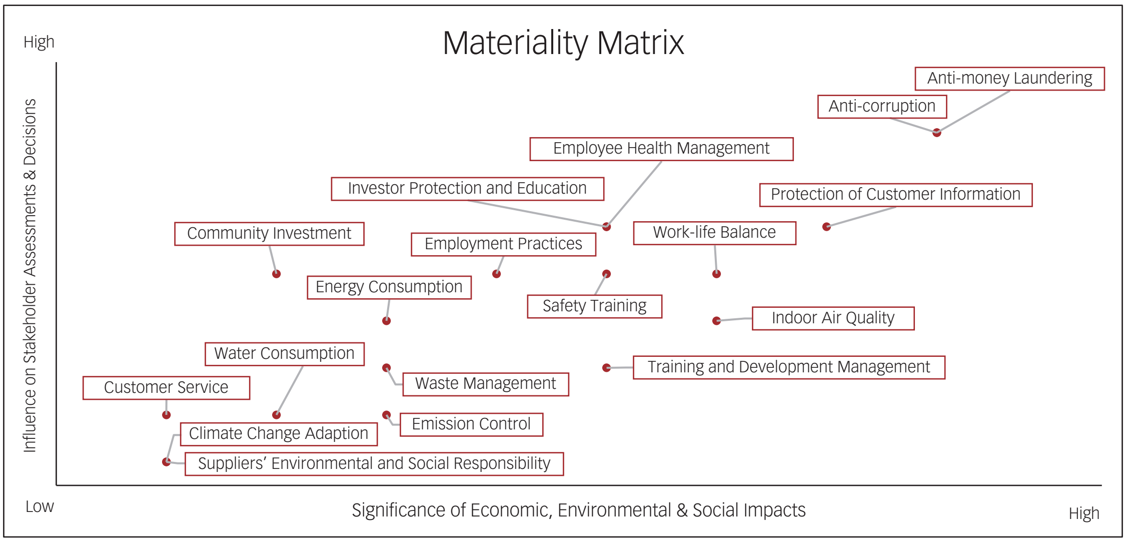
We value our stakeholders and their feedback in regards to our businesses and ESG aspects. With the goal to strengthen the sustainability approach and performance of the Group, we put effort in maintaining close communication with our key stakeholders, including but not limited to shareholders and investors, customers, employees, suppliers, government and regulatory bodies, the community, non-governmental organisations ("NGOs") and media. We take stakeholders' expectations into consideration in formulating our businesses and ESG strategies by utilising diversified engagement methods and communication channels, which are shown as below:

Stakeholders	Expectations and concerns	Communication channels
Shareholders and investors	• Complying with relevant laws and regulations • Disclosing latest information of the corporate in due course • Financial results • Corporate sustainability	• Annual general meeting and other shareholder meetings • Financial reports • Investor meetings • Press releases
Customers	• Product and service responsibility • Customer information and privacy protection	• Emails and customer service hotline • Meetings • Company website • Financial reports
Employees	• Health and safety • Equal opportunities • Remuneration and Benefits • Career development	• Training courses, seminars, and briefing sessions • Conferences • Emails
Suppliers	• Fair competition • Business ethics and reputation • Cooperation with mutual benefits	• Supplier assessment exercise • Business cooperation
Government and regulatory bodies	• Business ethics • Complying with relevant laws and regulations	• Consultations • Meetings • Emails and website
Community, NGOs and media	• Giving back to society • Environmental protection • Compliant operations	• Public or community events • Community Investment Program • ESG reports

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

The Group's management and staff in major functions are involved in the preparation of the ESG Report to assist the Group in reviewing its operations, identifying relevant ESG issues, and assessing the importance of those relevant matters to our business and stakeholders. We have compiled a survey in accordance with the identified material ESG issues to collect information from relevant departments, business units and stakeholders of the Group. Since there was no significant changes in the Group's business during the Reporting Period, the results of the previous materiality assessment are continued to be applied in this Report. The following matrix is a summary of the Group's material ESG issues:



During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosed contents in the ESG Report comply with the requirements of the ESG Reporting Guide.

CONTACT US

We welcome stakeholders to provide their opinions and suggestions. You are welcome to provide valuable feedback on the ESG Report or our sustainability performance by email at enquiries@shengyuan.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

The Group strives to protect the environment through the implementation of control activities and monitoring measures in our business activities and workplace. We are committed to promoting a green environment by introducing environmentally friendly business practices, educating our employees to raise their awareness of environmental protection and complying with the relevant environmental laws and regulations.

In order to enhance our environmental governance practice and mitigate the environmental impacts brought by the Group's operations, we have adopted and implemented relevant environmental policies and have communicated such policies to our employees. These policies apply the waste management principles of "Reduce, Reuse, Recycle and Replace" as well as the emission mitigation principle, with an objective of minimising adverse environmental impacts. These policies also ensure the waste disposed or emission generated is managed in an environmentally responsible manner. Within our policy framework, we continually look for different opportunities to pursue environmentally friendly initiatives and enhance our environmental performance by reducing energy and use of other resources.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental related laws and regulations in relation to exhaust gas and greenhouse gas ("GHG") emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Waste Disposal Ordinance, the Air Pollution Control Ordinance, and the Water Pollution Control Ordinance of Hong Kong.

Emission Control

Exhaust Gas Emissions

Due to our business nature, the Group considers the relevant air emissions generated as not significant, therefore, no related targets have been set.

GHG Emissions

The major source of the Group's GHG emissions is generated from purchased electricity (Scope 2) and the Group does not have direct GHG (Scope 1) emissions. In 2021, the Group aimed to host related environmental campaigns, such as training and seminars, to raise employee awareness of GHG emissions reduction in 2022. During the Reporting Period, the Group has participated in the World Wildlife Fund ("WWF")'s Earth Hour. In the year ended 31 December 2023 ("2023"), the Group continues targeting to participate in at least one environment relevant campaigns. We have also adopted the following measures to reduce GHG emissions during operation:

- Encourage our staff to utilise teleconferences and video conferences in order to reduce air and carbon emissions related to transportation needed for meetings;

- Conduct equipment maintenance on a regular basis to prevent inefficient fuel consumption or abnormal operations;

- Actively adopt environmental protection, energy conservation, and water conservation measures. Corresponding measures will be described in the sections "Energy Management" and "Water Management" under Aspect A2; and

- Actively adopt paper saving measures in office. Corresponding measures will be described in the section "Waste Management" under this Aspect.

Through the implementation of the above measures, the Group's total GHG emissions intensity in 2022 remains at a similar level as 2021. The Group's GHG emissions performance was as follows:

Indicator[1]	Unit	Emissions 2022	Emissions 2021
Energy indirect GHG emissions (Scope 2)	tCO_2e	**63.15**	71.34
Total GHG emissions (Scope 2)	**tCO_2e**	**63.15**	71.34
Total GHG emissions intensity[2]	**tCO_2e/employee**	**2.75**	2.74

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are 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 HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), and Sustainability Report 2021 published by Hong Kong Electric Investments Limited.

2. As at 31 December 2022, the Group had a total of 23 (2021: 26) employees. The data is also used for calculating other intensity data.

Sewage Discharge

The Group does not consume significant volume of water in our daily operation, therefore our business activities did not generate a material portion of discharge into water. The majority of the water supply and discharge facilities are provided and managed by the property management company. The data on water consumption will be described in the section "Water Management" under Aspect A2.

Waste Management

Hazardous Wastes

Due to the business nature, we did not generate a significant amount of hazardous wastes during the Reporting Period, therefore, no related targets have been set. Despite that, the Group has established guidelines governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group is required to engage a qualified chemical waste collector to handle such wastes, and comply with relevant environmental regulations and rules.

Non-hazardous Wastes

The non-hazardous wastes generated by the Group are mainly paper. With the aim of minimising the environmental impacts from non-hazardous wastes generated from our business operations, the Group upholds the principles of "Reduce, Reuse, Recycle and Replace", and has developed relevant waste reduction policies and guidelines. In 2021, the Group aimed to host waste reduction related campaigns to raise employee awareness of waste reduction in 2022. Due to the coronavirus disease 2019 ("COVID-19") pandemic, the Group did not have enough resources to organise relevant event. However, the Group will continue to attach great importance on waste reduction and recycling as well as to implement relevant measures mentioned below. In 2023, the Group will strive to achieve the target to host at least one waste reduction related campaigns. Our staff and the assigned administrative staff collectively take the responsibilities for waste management in our offices, and have conducted measures such as:

- Organise, maintain and clean the garbage and waste recycling areas;
- Sort recycled wastes into appropriate containers;
- Place appropriate signage on walls and bins, indicating the types of wastes to be recycled; and
- Ensure that no garbage is to be placed on building colonnade areas.

The procurement and disposal of office stationery serve as another focus of our efforts in operating sustainably. The office stationery has a great hidden environmental and social impact across its product lifespan, and the impact arise from its production to eventual disposal. To minimise such impact, we have launched the following measures:

- Maximise every stationary lifespan (such as plastic binding ring, paper clip, etc.) by searching for opportunities to reuse and refurbish them internally whenever feasible;
- Purchase reusable stationary whenever it is possible, such as refillable rollerball pens and correction type paper;
- Avoid disposable items; and
- Use rechargeable batteries where applicable.

At the same time, the Group has adopted the following practices to reduce paper waste at source in order to reduce paper consumption:

- Minimise the paper usage at our workplace by recycling used papers regularly and using double-sided printing;
- Encourage our staff to utilize electronic communications for directories, forms, reports and storage when possible;

- Recycle and reuse papers, carton boxes, envelopes and folders which have been used, including all non-confidential documents from the Group; and

- Explore the opportunity of using Forest Stewardship Council certified paper.

Dedicating to minimising the environmental impact resulting from the generation of non-hazardous wastes from our business operation, the Group's total non-hazardous wastes intensity in 2022 maintained at a similar level as that in 2021. The Group has wastes disposal performance was as follows:

Non-hazardous waste category	Unit	Consumption 2022	2021
Paper[1]	tonnes	**0.31**	0.18
Total non-hazardous wastes	tonnes	**0.31**	0.18
Total non-hazardous wastes intensity	tonnes/employee	**0.01**	0.01

Note:

1. Recycled paper has been deducted.

A2. Use of Resources

The Group is committed to optimising the use of resources in our business operations. Therefore, we have taken initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations on a continuous basis.

The Group has established relevant policies and procedures in governing the efficient use of resources, including petrol, electricity and office consumables, in accordance with the objectives of achieving higher energy efficiency and reducing the unnecessary use of resources.

Energy Management

The Group aims to minimise the environmental impact resulting from our operations by identifying and adopting appropriate measures. Energy policies, measures, and practices have been developed to show our commitment on energy efficiency. All employees are required to adopt such measures and practices, including the purchase of energy-efficient products, and assume responsibility for the Group's overall energy efficiency.

The energy consumption of the Group was mainly contributed by the electricity consumed in operation. In 2021, the Group aimed to participate in energy-saving related campaigns to raise employee awareness of energy-saving in 2022. During the Reporting Period, the Group has achieved the set target by participating in WWF's Earth Hour. In 2023, the Group continues targeting to participate in at least one energy-saving related campaigns. The Group has introduced various measures and initiatives to achieve the goal of energy saving and efficient consumption. Such measures and initiatives include but not limited to:

- Adopt lighting control based on actual needs;

- Replace energy-inefficient light bulbs with energy efficient LED lightings by phases;

- Utilise higher energy-efficiency office equipment in workplace;
- Place reminders and posters next to power switches and power buttons to encourage our staff to take initiatives in energy saving;
- Encourage employees to turn off idling equipment, computers and lightings when not in use or after working hours;
- Monitor the energy usage on a monthly basis, along with investigating significant variance noted;
- Utilise natural lightings where possible;
- Adopt power-saving features for office equipment and computers; and
- Promote environmental protection messages and green tips to our staff through message board, staff newsletters and emails regularly.

Through the implementation of the above initiatives and participation in energy saving programs, the Group's total energy consumption intensity in 2022 remains at a similar level as 2021. The Group's energy consumption performance was as follows:

Energy type	Unit	Consumption 2022	2021
Indirect energy consumption			
Purchased electricity	MWh	**88.94**	100.48
Total energy consumption	**MWh**	**88.94**	100.48
Total energy consumption intensity	**MWh/employee**	**3.87**	3.86

Water Management

The Group's water use was mainly domestic water in office areas. We have educated and encouraged all employees to develop the habit of water conservation. We have been strengthening our water-saving promotion, posting water saving reminders, and guiding employees to use water reasonably. In 2021, the Group aimed to host water conservation related campaigns to raise employee awareness of water conservation in 2022. Due to the COVID-19 pandemic, the Group did not have enough resources to organise relevant event. However, the Group will continue to attach great importance on water conservation as well as to implement water-saving related measures mentioned below. In 2023, the Group will strive to achieve the target to host at least one water conservation related campaigns. The following are some measures we have implemented to improve the utilisation efficiency of water resources:

- Fix dripping taps promptly to avoid water leakage and wastage; and
- Strengthen the inspection and maintenance of water tap, water pipelines and water storage.

In addition to the above measures, the Group has also posted green messages and water conservation labels to remind staff to avoid unnecessary water consumption. The Group's total water consumption was 26 m^3 during the Reporting Period (2021: 60 m^3), and the intensity of water consumption was approximately 1.13 m^3 per employee (2021: 2.31 m^3 per employee). The decrease was mainly because the Group implemented work-from-home arrangements due to the COVID-19, resulting in significantly less time spent by the employees in the office and a decrease in water demand.

In view of our operating locations, the Group does not encounter any significant issue in sourcing water that is fit for purpose.

Use of Packaging Material

Due to the Group's business nature, we do not consume significant amount of packaging materials for product packaging as we have no industrial production or any factory facilities.

A3. The Environment and Natural Resources

Although the core business of the Group has remote impact on the environment and natural resources, we recognise the responsibility for minimising the negative environmental impacts of our business operations in order to achieve sustainable development for generating long-term values to our stakeholders and the community as a whole. We have established relevant policies and regularly assess the environmental risks of our businesses, and adopt preventive measures as necessary to reduce the risks and ensure the compliance with relevant laws and regulations.

Indoor Air Quality

Indoor air quality in our workplace is regularly monitored and measured. We maintain indoor air quality by installing air purifying equipment in workplace and cleaning air-conditioning systems regularly to filter pollutants and dust. Green plants are also placed in offices to improve the overall air quality.

Repair and Maintenance

From time to time, our offices may undergo repair and maintenance work. To lessen the disturbance of these activities to our staff and customers, we request our suppliers to use materials or equipment with less emissions and noises when conducting such repair and maintenance work.

A4. Climate Change

Climate Change Mitigation and Adaption

Climate change poses escalating risks and challenges to the global economy, and such risks may negatively impact the Group's business. As a result, the Group is aware of the importance of identifying and mitigating any major impacts caused by climate change and established relevant polling to govern such matters.

In terms of physical risks, the increasing frequency and severity of extreme weather events such as extreme cold or extreme heat, storms, rainstorms and typhoons, could lead to an increased risk of power shortages, interrupt the supply chain and damage the Group's assets, disrupting the operation of the Group's businesses and resulting in reduced revenue, as well as increasing the cost of repairing or restoring damaged sites. These events could also disrupt the work of employees and even cause casualties. As a countermeasure, the Group maintains a comprehensive insurance coverage on assets that are prone to damage by extreme weather conditions. In addition, the Group has developed the practice of communicating the arrangements under bad weather conditions to employees in advance.

In terms of transition risks, the HKEX has required listed companies to enhance climate-related disclosures in their ESG reports, which may result in increased compliance costs. Failure to meet the climate change compliance requirements may expose the Group to risks of claims and lawsuits, which may also cause a negative impact on its reputation. The Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid reputational risks due to delayed response. In addition, in order to reduce the Group's environmental impact and to comply with the requirements of the HKEX, the Group has set targets to reduce energy consumption and GHG emissions.

B. SOCIAL

B1. Employment

Human resources are the foundation in supporting the development of the Group. The Group treasures employee's talent, and recognises it as the most valuable asset of the Group. We have formulated the Human Resources Management Policy to fulfil our vision of people-oriented management. The captioned policy is formally documented in the Staff Handbook, covering resource planning, recruitment, transfer and promotion, remuneration and benefits, performance evaluations, trainings, etc. We review and update the relevant policies regularly in accordance with the latest laws and regulations.

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. Such laws and regulations include but are not limited to the Employment Ordinance of Hong Kong.

Employment Practices

Recruitment, Promotion and Dismissal

The Group hires employees through a robust and transparent recruitment process, and we recruit employees based on merit selection in accordance with the standard of "having both ability and integrity", regardless of their race, gender, religion, physical disability, marital status, sexual orientation, etc.

The Group offers promotion and development opportunities for outperforming employees through an open and fair assessment system. Employees are subjected to review regularly, and the Group has established objective performance indicators for annual performance evaluation. To facilitate an effective two-way communication, every supervisor has to discuss the work performance with their subordinates regularly. Based on employees' assessment result, we offer career development opportunities in encouraging their continuous improvement.

Besides, the Group does not tolerate the dismissal of employees under any unreasonable basis. Any termination of employment contract would be based on reasonable, lawful grounds and internal policies. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

Remuneration and Benefits

The Group has established a fair, reasonable and competitive remuneration system to employees. Employees of the Group are remunerated according to their performance and experience. Remuneration packages include holidays, annual leave, medical scheme, dental scheme, group insurance, mandatory provident fund, year-end double pay and discretionary bonus. The Group reviews the remuneration packages annually to ensure it is up-to-date and competitive enough to attract and retain talents.

Communication Channels

To understand the work satisfaction of our employees, we have established various channels to communicate with them, including briefing sessions for new joiners, mailbox for recommendation, and employee satisfaction survey. Survey forms are distributed on a semi-annual basis to collect employees' opinions on work responsibility, working environment, organisation and employee relationship, compensation and benefits, etc. The management reviews the result of the survey and implements corresponding improvement actions.

Diversity, Equal Opportunity and Anti-discrimination

We are committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. The Group has Staff Handbook outlining the terms and conditions of employment, expectation for employees' conducts and behaviours as well as employees' rights and benefits. The Group has also established and implemented policies in promoting a harmonious and respectful workplace. We are dedicated to providing equal opportunities in all aspects of employment and maintaining workplace that are free from any forms of discrimination and harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation.

The Group also has zero tolerance in any forms of sexual harassment or abuse at workplace. Any employees who are intimidated, humiliated, bullied or harassed (including sexual harassment) may report to the employee's representative, or file complaints directly to the management representative or the general manager, and we will take serious approaches to resolve these issues upon receiving the said complaints.

As at 31 December 2022, the Group had 23 full-time employees with no part-time employee (as at 31 December 2021: 26 full-time employees, 0 part-time employee) and the composition was shown below:

	Number of employees	
	2022	2021
By gender		
Male	**15**	15
Female	**8**	11
By age group		
<30	**–**	1
30-50	**17**	21
>50	**6**	4
By geographical location		
Hong Kong (China)	**14**	21
Mainland China	**9**	5
By employee category		
Group Management (including directors)	**17**	14
General staff	**6**	12

During 2022, the employee turnover rate[1] of the Group is 41% (2021: 56%) and the composition was shown as follows:

	Employee turnover rate[2]	
	2022	2021
By gender		
Male	**33%**	33%
Female	**53%**	22%
By age group		
<30	**200%**	11%
30-50	**37%**	44%
>50	**40%**	–
By geographical location		
Hong Kong (China)	**40%**	48%
Mainland China	**43%**	7%

Notes:

1. The overall employee turnover rate is calculated by dividing the total number of employees leaving employment during the financial year by the average number of employees at the beginning and the end of the financial year.

2. The employee turnover rate for each category is calculated by dividing the number of employees leaving employment in the specified category during the financial year by the average number of employees in the specified category at the beginning and the end of the financial year.

Work-life Balance

We value the importance of maintaining a healthy lifestyle and work-life balance of our employees. The Group actively engages employees through social and employee bonding, outing, volunteer works and charity activities. During the Reporting Period, we had organised work-life balancing activities, for example, birthday celebrations and festival celebrations for employees.

B2. Health and Safety

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. To maintain a safe working environment, the Group has established safety policies on the prevention and remediation of safety accidents, and detection of potential safety hazards in workplace. The Group follows the occupational health and safety guidelines recommended by the Labour Department and Occupational Safety and Health Council, and the Human Resources and Administration Department also takes responsibilities for offices' occupational health and safety and relevant promotions and monitoring.

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. Such laws and regulations include but are not limited to the Occupational Safety and Health Ordinance of Hong Kong. During the Reporting Period, there were no lost days due to work injury. Also, in the past three years, including the Reporting Period, there were no work related fatalities.

Safety Training

The Group offers a diversity of training courses to employees, and employees are required to attend the training organised by the Group in relation to occupational safety. We have also established emergency and evacuation procedures to respond to any major safety accidents in a timely and orderly manner. Employees are also free to provide feedback on improving workplace safety.

Employee Health Management

The Group offers comprehensive health care coverage for our employees, including medical benefits and dental benefits. The Group has also continued to organise work-life balancing activities for employees and carry out other activities to promote healthy living practices. We also convey information relating to health and safety to employees in order to raise their awareness of occupational health and safety.

COVID-19 Prevention

In response to the outbreak of the COVID-19 pandemic, the Group has complied with the public health and safety measures from the Hong Kong government. The Group has also promptly implemented new health and safety measures in response to COVID-19, such as making remote work arrangements and distributing adequate surgical masks and hand sanitiser in the offices. All personnel, whether employees or guests, entering the Group's premises are also required to have their temperature recorded to prevent the potential spread of the virus. Clear guidelines are also in place to respond to situations where employees or their family members are found to have contracted the virus.

The Group will review the abovementioned policy regularly to ensure its effectiveness.

B3. Development and Training

The Group regards our staff as the most important asset and resource. We recognise the valuable contribution our talents made to the continuing success of the Group. We are committed to inspiring our human capital towards delivering excellence and strive to create an intellectually-stimulating environment within which employees do not only develop basic skills and knowledge but also specific talent and ability.

Training and Development Management

The Group provides regular training courses and a variety of development programs, and has developed relevant training policies and procedures to enhance the effectiveness of such training programs. Respective management is responsible to develop training plans based on the requirements of different departments and employees. They are also responsible to examine the effectiveness of training programs and provide improvement plans.

The Group regularly organises workshops, seminars, and training programs for employees, and aims to improve their level of skills and knowledge while maximising their potentials. In addition, employees are encouraged to enrol in external training opportunities and job-related courses to enrich themselves through acquiring higher professional skills and qualifications. Employees are also granted training for acquiring related licenses such as license of the Securities and Futures Commission ("SFC").

During the Reporting Period, we have organised training courses for employees. Such training courses cover topics including but not limited to industrial updates, compliance matters, occupational health and safety, etc.

During 2022, the percentage of total employees trained[1] by the Group was approximately 35% (2021: 50%) and the average training hours completed per employee[2] was approximately 7.11 (2021: 3.31 hours) hours. The breakdown of the percentage of employees trained and the average training hours completed per employee by gender and employee category was as follows:

	Percentage of employee trained[3]		Average training hours[4]	
	2022	2021	**2022**	2021
By gender				
Male	**75%**	54%	**21.33**	6.14
Female	**25%**	46%	**17.75**	7.08
By employee category				
Group Management (including directors)	**100%**	85%	**20.44**	6.55
General staff	**–**	15%	**–**	6.75

Notes:

1. The percentage of total employee trained is calculated by dividing the total number of employees who took part in training during the financial year by the total number of employees as at the end of the financial year.

2. The average training hours completed per employee is calculated by dividing the total number of training hours during the financial year by the total number of employees as at the end of the financial year.

3. The percentage of employees trained by category is calculated by dividing the number of employees in the specified category who took part in training during the financial year by the total number of employees who took part in training during the financial year.

4. The average training hours completed per employee by category is calculated by dividing the number of training hours for employees in the specified category during the financial year by the number of employees in the specified category who took part in training during the financial year.

B4. Labour Standards

Prevention of Child and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with local laws and prohibits any child and forced labour employment. The Group's Human Resource and Administration Department is responsible to monitor and ensure compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour.

To combat against illegal employment of child labour and underage workers, personal data are collected during the recruitment of process to assist the selection of suitable candidates. According to the Staff Handbook, the Human Resource and Administration Department also ensures identity documents are carefully checked. If any violation is found, it will be dealt with in the light of circumstances. The employment contract specifies the agreement between the Group and its employees on the working conditions including among others, their normal working hours and overtime work arrangement. Overtime working of employees is on a voluntary basis, which effectively protects their rights and interests. If there is any suspected infringement regarding forced labour, the Group might conduct investigation and take disciplinary actions against any staff members who are responsible for the cause of the incident. Such policy and practices will be reviewed regularly to comply with the relevant laws and regulations.

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. Such laws and regulations include but are not limited to the Employment Ordinance of Hong Kong.

B5. Supply Chain Management

The Group recognises the importance of green supply chain management in mitigating the indirect environmental and social risks. In view of green supply chain management, we are aware of the environmental and social practices of the suppliers, and strive to engage suppliers with responsible acts to society.

Suppliers' Environmental and Social Responsibility

We actively share green practices with our suppliers, and propagate the importance of sustainable operations to them. During the supplier selection process, suppliers' environmental and social performances are considered as a selection criterion for establishing a long-term relationship. We select suppliers with good track record and the requirements of the specific business and customers as well as the environmental and social risks. The Group also gives priority to suppliers that use environmentally preferable products and services in the selection process. The Group will continue to review its supply chain periodically with regard to the suppliers' performance and environmental and social standards. Any material violation of laws and regulations may lead to the termination of supplier contracts. The Group is committed to continuously improving its supply chain management and the related measures are reviewed regularly. In 2022, the Group has implemented the practices relating to engaging suppliers to all of our major suppliers.

We have also formulated rules to ensure our suppliers are able to compete in an open and fair mechanism. We do not discriminate against any suppliers, and we do not allow any forms of corruption or bribery. Employees and other individuals with an interest with the suppliers will not be allowed to participate in relevant procurement activities.

During the Reporting Period, the Group has engaged a total of 46 major suppliers (2021: 50 major suppliers). The number of major suppliers by geographic region was as follows.

	Number of suppliers	
	2022	2021
By geographical location		
Hong Kong (China)	**44**	48
Mainland China	**2**	2

B6. Product Responsibility

The Group is committed to providing reliable products and services by offering sustainable and responsible platforms and services, as well as protecting the interests of clients.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations concerning advertising, labelling and privacy matters relating to products and services provided that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Personal Data (Privacy) Ordinance and the Securities and Future (Client Securities) Rules of Hong Kong. Due to the Group's business nature, the disclosure of the information relating to total products sold or shipped subject to recalls is not applicable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Service

The Group strives to provide excellent services in supporting our customers. Our customer service personnel are required to assist customers upon the application of services with their professional knowledge. Customers are also free to provide feedback on our service delivery. If customers are dissatisfied with the service quality, they can file complaints to the Group, and we will settle complaints in accordance with the established complaint resolution procedures and logs. Complaints are summarised regularly for management review in designing remedial actions for major deficiencies. To understand customer opinions, the Group performs a customer satisfaction survey annually. During the Reporting Period, the Group did not have any significant written complaints related to services.

Protection of Customer Information

Certain subsidiaries of the Company are licensed and regulated under SFC. As a custodian of customers' assets, we strictly comply with relevant laws and regulations in handling and safeguarding customers' assets. We implement necessary controls to ensure customers' assets are managed properly in a prompt manner.

We maintain segregated accounts in keeping customers' assets. Transactions should only be executed when customers' consent is received, or when customers' obligation is fulfilled as stated on agreed contracts. We have adequate records of audit work for investigations in case of suspected violations. Regular compliance reviews and audits are conducted to find out any non-compliance with regulatory requirements. Any irregularities should be immediately reported to management.

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, and have established an internal policy to govern the collection and handling of personal data.

In accordance with our data protection principles, we abide by the Privacy Policy Statement, and ensure our clients understand our general policies and practices in relation to the collection, holding and usage of individual personal data. Furthermore, we are required to follow the Personal Information Collection Statement when collecting personal identification information from individuals. Unless written consent is obtained, the Group will not use or provide any personal data to any person for direct marketing. Meanwhile, the Group maintains security measures to prevent unauthorised use of personal data.

Investor Protection and Education

The Group has established procedures relating to the services and products provided. We conduct the "Know Your Clients" ("KYC") procedures and assessment processes to understand and evaluate clients' financial background, trading experience and risk tolerance level prior to providing clients with the type of financial services or products that suit their needs.

The Group is committed to providing clear and balanced information to clients. We have established a classification system that classifies the capability and intentions of investors. The Group categorises clients into professional investors and retail investors based on the standard of their financial knowledge. We will in particular protect retail investors by conducting risk evaluations, and classifying and grading the investors based on the risk tolerance evaluation results.

The Group adopts appropriateness tests for different financial products. We conduct risk assessments for different financial products to evaluate their risk level based on the product information. We have established a matching principle between product and clients' risk tolerance ability to fully reveal the product risks, and ensure appropriate products are recommended to appropriate clients.

Moreover, the Group has set standards for advertising and sales material. Information disclosed in all advertising and sales material must be factual; we also prohibit the use of false, misleading or inaccurate statements in any form of communication. The Group also obtained registration of the Group's trademarks in Hong Kong; the domain name was also registered. The Group respects and regularly monitors to ensure that intellectual property rights are not being infringed upon.

B7. Anti-corruption

The Group believes that a corporate culture of high integrity is the key to its continuing success, therefore we value the importance of anti-corruption work and are committed to building an incorruptness and transparent corporate culture.

During the Reporting Period, the Group has strictly complied with all applicable laws and regulations, as well as guidance from various regulatory bodies, including SFC. The Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Prevention of Bribery Ordinance of Hong Kong. There were also no concluded legal cases regarding corrupt practices during the Reporting Period.

Anti-corruption

The Group strives to achieve a high standard of ethics in our business operations and Fraudulent acts such as corruption, bribery, and collusion are strictly prohibited. Employees should comply with the Code of Conduct in performing business activities, and they should consult the management if they suspect any professional misconduct. Our Staff Handbook has a dedicated section on anti-corruption, which defines and restricts the code of conduct of our employees in this regard. Employees should also declare any conflict of interest under their job responsibility which may impair the integrity of work.

The Group has established a whistle-blowing mechanism for reporting any potential fraudulent cases. Whistle-blower can report to the Group through phone, email or written form. The Group will investigate and follow on the reported cases in a timely manner and is committed to protecting the whistle-blower against any potential unfair treatment and ensure the confidentiality of their identity. To further mitigate business frauds, an internal audit function is established to continuously evaluate the Group's internal control effectiveness, detecting potential deficiencies, and identifying areas of improvement. The internal audit report is distributed to the responsible department for timely remediation.

We strictly comply with the Prevention of Bribery Ordinance enforced by the Hong Kong Independent Commission Against Corruption ("ICAC"), and prohibit all employees from receiving any benefits for personal gains. This prevents any negative impact or disruption to our business operations. Any report of suspected behaviours would lead to disciplinary action, dismissal or report to ICAC or relevant agencies.

To further extend employees' and directors' awareness of anti-corruption, the Group launches and arranges various programs and seminars to educate them on anti-corruption annually. Contents of programs and seminars include law and discipline observation education, compliance and duty competence education, and professional ethics education, etc. These programs and seminars allow employees to understand related laws and disciplines as well as morality and business ethics. The Group also provided anti-corruption compliance training to directors to familiarise them with their corresponding roles and responsibilities in anti-corruption and business ethics and to ensure compliance with applicable laws and regulations. During the Reporting Period, the Group provided anti-corruption training materials to directors and employees for their self-study.

Anti-money Laundering

The Group has formulated policies and procedures governing KYC and Anti-Money Laundering ("AML"). A robust review program on KYC and AML and compliance department have been put in place to ensure the Group has complied with all the regulatory rules.

A designated staff as the Money Laundering Reporting Officer is appointed to hold responsibility for investigating AML issues and reporting if necessary. Induction training, as well as annual training, are provided to ensure all employees within the Group are well-acquainted with the regulatory updates in respect to KYC and AML. We have also developed an Anti-Money Laundering Guidance Note ("AML Manual") to assist employees in identifying the types of risks and their relevant major characteristics.

The Group has implemented the AML management rules when building a business relationship with clients or providing services. Such rules require employees to conduct client identification, file clients' identity materials and transactional records, check clients' identity certification documents, register clients' basic information, understand clients and their transaction nature through KYC policy, strengthen clients' adequacy management, identify and evaluate the money laundering risks, as well as improve the prevention, management and control of clients' money laundering risks.

The Group has strengthened the monitoring and reporting of large-amount and suspicious transactions. We began with the characteristics of the securities industry and the actual situation of the Group and had designed a monitoring model for suspicious transactions. We made efforts to improve the identification capability of suspicious transactions and positively helped clients to prevent money laundering risks.

The Group will review the preventive measures and whistle-blowing procedures regularly to ensure their effectiveness.

B8. Community Investment

Contribution to Society

The Group is committed to emboldening and supporting the public by means of social participation and contribution as part of our strategic development. We have established relevant policies to cultivate corporate culture of being a corporate citizen through the daily work life. To fulfill our corporate social responsibility, we focus on inspiring our employees towards social welfare concerns. We encourage our staff to donate to recognised charitable institutions in order to help the underprivileged and those in need. Employees are also encouraged to suggest areas of contribution based on their experiences in the community. Due to the COVID-19 pandemic, the Group did not participate in communally investment work in 2022. However, the Group will engage in the community to understand their needs and ensure the Group's activities will take into consideration the communities' interest once the COVID-19 pandemic has been stabilised.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Mandatory Disclosure Requirements	Sections
Governance Structure	The ESG Governance Structure
Reporting Principles	Reporting Framework
Reporting Boundary	Reporting Scope

"Comply or explain" Provision		
Subject Areas, Aspects, General Disclosures and KPIs	**Description**	**Sections/Remarks**
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 GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1. Emissions
KPI A1.1	The types of emissions and respective emissions data.	A1. Emissions — Exhaust Gas Emissions (not applicable and explained)
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and intensity.	A1. Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	A1. Emissions — Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	A1. Emissions — Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	A1. Emissions — GHG 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.	A1. Emissions — Waste Management

"Comply or explain" Provision		
Subject Areas, Aspects, General Disclosures and KPIs	**Description**	**Sections/Remarks**
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2. Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	A2. Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity.	A2. Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources — Energy Management
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.	A2. Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	A2. Use of Resources — Use of Packaging Material (not applicable and explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	A3. 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.	A3. 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.	A4. 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.	A4. Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

"Comply or explain" Provision		
Subject Areas, Aspects, General Disclosures and KPIs	**Description**	**Sections/Remarks**
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1. Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	B1. Employment
KPI B1.1	Employee turnover rate by gender, age group and geographical region.	B1. Employment
Aspect B2: Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards.	B2. Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2. Health and Safety
KPI B2.2	Lost days due to work injury.	B2. Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2. Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3. Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	B3. Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	B3. Development and Training

"Comply or explain" Provision		
Subject Areas, Aspects, General Disclosures and KPIs	**Description**	**Sections/Remarks**
Aspect B4: Labour Standards		
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 preventing child and forced labour.	B4. Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4. Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	B4. Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	B5. Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	B5. 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.	B5. 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.	B5. 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.	B5. 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.	B6. Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6. Product Responsibility (not applicable and explained)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	B6. Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6. Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	B6. Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B6. Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

"Comply or explain" Provision		
Subject Areas, Aspects, General Disclosures and KPIs	**Description**	**Sections/Remarks**
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.	B7. 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.	B7. Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7. Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	B7. 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.	B8. Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8. Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	B8. Community Investment

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 40 to the audited financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Management Discussion and Analysis set out on pages 3 to 6.

RESULTS AND DIVIDENDS

The Group's gain for the year ended 31 December 2022 and the state of affairs of the Group at that date are set out in the audited financial statements on pages 62 to 127.

The Directors did not recommend the payment of any dividend for the year ended 31 December 2022.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years and the year ended 31 December 2022, as extracted from the audited financial statements and restated as appropriate, is set out on page 128. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 69% of the Group's total turnover and the largest customer accounted for approximately 17% of the Group's total turnover. The Group is a provider of financial services. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of the Group's five largest suppliers or customers.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

Share Option Scheme

The Company adopted a share option scheme on 24 September 2004 (the "2004 Scheme"). Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 15 October 2014, the Company adopted a new share option scheme (the "2014 Scheme"), the purpose of which is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. No further option shall be granted under the 2004 Scheme, but the options granted under the 2004 Scheme prior to its expiry shall remain valid and exercisable in accordance with the terms of the respective grants. During the year ended 31 December 2022 and the year ended 31 December 2021, no share option has been granted under 2014 Scheme. At 31 December 2022 and 2021, there were no shares in respect of which options has been granted and remained outstanding under the 2014 Scheme. For further details of the 2014 Scheme (including the principal terms of the 2014 Scheme), please refer to the circular dated 26 September 2014 and note 32 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the audited financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2022, no reserves are available for distribution to shareholders.

DIRECTORS AND DIRECTOR'S SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Zhou Quan
Mr. Zhao Yun (appointed as Chief Executive Officer on 20 May 2022)
Mr. Liu Zilei *(Chairman of the Board and Chief Executive Officer)* (resigned on 19 May 2022)

Non-Executive Directors

Mr. Ma Baojun *(Chairman)* (appointed on 20 May 2022)
Mr. Huang Shuanggang

Independent Non-Executive Directors

Mr. Zhang Jinfan
Ms. Huang Qin
Mr. Guo Yaoli (appointed on 21 November 2022)
Ms. Wen Han Qiuzi (resigned on 1 September 2022)

In accordance with Article 87(1) of the Company's Bye-laws, Mr. Ma Baojun, Mr. Zhao Yun, Mr. Guo Yaoli and Ms, Huang Qin will retire at the forthcoming annual general meeting and being eligible, offers themselves for re-election.

The Directors being proposed for re-election at the forthcoming annual general meeting do not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of a compensation (other than statutory compensation).

The non-executive Directors (including the independent non-executive Directors) have been appointed for a specific term subject to retirement by rotation as required by the Bye-laws.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance in which any Director or any entity connected with the Director is or was materially interested, either directly or indirectly, subsisted during the year ended 31 December 2022 or at the end of the financial year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance between any members of the Group and any of the controlling shareholders of the Company, or any of their subsidiaries, subsisted during the year ended 31 December 2022.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2022, none of the Directors or chief executive had any interests in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2022, so far as the Directors are aware and as shown in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than interest disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of their relevant interests in the shares, underlying shares and convertible notes of the Company.

LONG POSITION — ORDINARY SHARES OF HK$0.1 EACH OF THE COMPANY

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Yuanyin Holdings Limited	Beneficial Owner	101,100,000	26.47%
	Interest of corporation controlled *(Note (1))*	1,917,000	0.50%
Zhao Jianyun	Beneficial Owner	35,714,286	9.35%
Meng Hao Xiang	Interest of Spouse *(Note (2))*	35,714,286	9.35%
Shao Yongchao	Beneficial Owner	30,000,000	7.85%
Cao Haixia	Interest of Spouse *(Note (3))*	30,000,000	7.85%

Notes:

(1) Yuanyin Holdings Limited is deemed to be interested in 1,917,000 shares of the Company beneficially owned by Yuanyin International Limited, a wholly owned subsidiary of Yuanyin Holdings Limited.

(2) Ms. Zhao Jianyun is the spouse of Mr. Meng Hao Xiang and was the beneficial owner of 35,714,286 Shares. Mr. Meng Hao Xiang was deemed to be interested in such 35,714,286 Shares within the meaning of Part XV of the SFO.

(3) Mr. Shao Yongchao is the spouse of Ms. Cao Haixia and was the beneficial owner of 30,000,000 Shares. Ms. Cao Haixia was deemed to be interested in such 30,000,000 Shares within the meaning of Part XV of the SFO.

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person (other than the Directors or chief executive of the Company) as having a notifiable interest or short position in the shares, underlying shares or convertible bonds of the Company as at 31 December 2022.

USE OF PROCEEDS FROM THE COMPANY'S ISSUANCE OF CONVERTIBLE BONDS

On 21 May 2021, the Company has issued the convertible bonds (the "SYHL Bonds") in the aggregate principal amount of HK$150.0 million to Yuanyin Holdings Limited. For details of the SYHL Bonds, please refer to the circular of the Company dated 29 April 2021 and the announcement of the Company dated 21 May 2021.

The net proceeds from the issuance of the SYHL Bonds, after deduction of expenses, are approximately HK$149.8 million#; and the net cash proceeds are approximately HK$50.1 million# after the application of HK$99.8 million to set off against the principal amount of the shareholder's loan owed by the Group to Yuanyin Finance Limited (a wholly-owned subsidiary of Yuanyin Holdings Limited, the subscriber of the SYHL Bonds).

The below table sets out the proposed and actual applications of the net proceeds up to 31 December 2022:

Use of net proceeds	**Planned use of net proceeds** *(HK$ million)*	**Net proceeds utilised up to 31 December 2021** *(HK$ million)*	**Unutilised amount as at 31 December 2022** *(HK$ million)*
Set off against the principal amount of the shareholder's loan owed by the Group to Yuanyin Finance Limited	99.8	99.8	nil
Replenishment of the liquid capital of Sheng Yuan Securities Limited	50.1#	50.1#	nil
Total	149.8#	149.8#	nil

Note:

The figures have been subject to rounding adjustments. The discrepancies between the totals and sums of amount listed herein are due to rounding adjustment.

As disclosed above, the net proceeds raised by the Company from the issuance of the SYHL Bonds were utilized in accordance with the intentions previously disclosed by the Company, and there was no material change or delay in the use of proceeds.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Saved as disclosed in note 33 to the consolidated financial statements and the related disclosure as below, the Group has not entered into any other connected transaction or continuing connected transactions for the year ended 31 December 2022 which should be disclosed pursuant to the requirement of Chapter 14A to the Listing Rules.

DIRECTORS' REPORT

For the year ended 31 December 2022, the Company and its subsidiaries have the following continuing connected transaction that is subject to the annual review requirements under Chapter 14A of the Listing Rules:

On 14 February 2020, Sheng Yuan Asset Management Limited, (a wholly-owned subsidiary of the Company) entered into an investment advisory agreement, pursue to which Sheng Yuan Asset Management Limited will provide investment advisory services to Yuanyin International Limited.

Yuanyin Holdings Limited held 26.47% of the issued share capital of the Company as at 14 February 2020, and 26.97% of the issued share capital of the Company as at 31 December 2022. Therefore, Yuanyin Holdings Limited is a substantial shareholder of the Company. Yuanyin International Limited is a wholly-owned subsidiary of Yuanyin Holdings Limited, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the investment advisory agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Revenue recognised under the investment advisory agreement by the Company to the year ended 31 December 2022 was approximately HK$3.9 million.

The principal terms of the investment advisory agreement is as follows:

Date	:	14 February 2020
Parties	:	(1) Sheng Yuan Asset Management Limited (2) Yuanyin International Limited
Scope of Services	:	Sheng Yuan Asset Management will provide investment advisory services regarding the investment opportunities, including: (i) to provide an analysis of the progress of all investments; (ii) to render advice on investments in the form of a research report; (iii) to provide advice on matters related to investments; and (iv) to provide information and assistance as may be required in connection with the valuation of any investments.
Term	:	For an initial term of three (3) years commencing from the date of the investment advisory agreement, which may thereafter be renewed upon the written agreement between the parties for successive three (3) year periods upon each expiry.
Service fees	:	Annual service fee of HK$3,905,258.
Time of payment	:	The annual service fee shall be payable on or before 31 March of each financial year.

The independent non-executive Directors have examined the specific implementation of the continuing connected transaction and confirmed that:

(a) the transaction was entered into in the ordinary and usual course of business of the Company;

(b) the transaction was carried out on normal commercial terms or more favorable terms; and

(c) the transaction was carried out in accordance with the investment advisory agreement in respect thereof, the terms of which were fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company has also engaged an external auditor to review the continuing connected transaction to ensure that the transaction carried out under the investment advisory agreement complies the requirements under the Listing Rules. The Board has confirmed that the auditor has issued an unqualified letter in respect of the aforesaid continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules and reported the results in the letter to the Board, and a copy of the auditor's letter was submitted to the Stock Exchange. The letter stated that:

(a) the relevant continuing connected transaction has been approved by the Board;

(b) the relevant continuing connected transaction is, in all material respects, in accordance with the pricing policy of the Company for transactions involving the provision of goods or services by the Company;

(c) the relevant continuing connected transaction was entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) the relevant continuing connected transaction did not exceed the respective Annual Caps applicable to such transaction.

The non-exempt continuing connected transaction is subject to reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

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

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

CORPORATE GOVERNANCE

The Company's corporate governance report is set out in pages 9 to 22 of this report.

KEY RELATIONSHIPS

Employees

Employees are one of the valuable assets of the Group and the Group regards the personal development of its employees as highly important. The Group aims to continue to be an attractive employer for committed employees and strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to its employees and considers all valuable feedback from its employees for enhancing workplace productivity and harmony.

The Group offers competitive remuneration packages to its employees.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 32 to the consolidated financial statements.

Customers and suppliers

The customers and suppliers of the Group are independent third parties to the Group. The Group is committed to maintain good relationships with its customers and suppliers in the long run by adopting various means to strengthen communication channels with them. During the year ended 31 December 2022, there were no material and significant dispute between the Group and its customers and suppliers.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme as disclosed above, no equity-linked agreements were entered into by the Company during the year ended 31 December 2022 or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the bye-laws of the Company, every Director shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, damages and expenses which he/she may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Company during the year.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

For further details as to our environmental policies and performance, please refer to pages 23 to 46 of this annual report, which sets out the environmental, social and governance report of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the subsidiaries of the Company in Hong Kong and the PRC while the shares of Company (the "Shares") are listed on the Stock Exchange. The Group's establishment and operations shall comply with relevant laws and regulations in Hong Kong, the PRC and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules and SFO.

During the year ended 31 December 2022 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings in the shares of the Company.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2022.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions.

MANAGEMENT CONTRACTS

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

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audited results for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit committee of the Company currently comprises Ms. Huang Qin (Chairman), Mr. Zhang Jinfan (both being independent non-executive Directors), and Mr. Huang Shuanggang (a non- executive Director).

DIRECTORS' REPORT

REMUNERATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises three independent non-executive Directors, being Mr. Zhang Jinfan (Chairman), Ms. Huang Qin, and Mr. Guo Yaoli.

NOMINATION COMMITTEE

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Nomination Committee comprises one non-executive director and two independent non-executive Directors, being Mr. Ma Baojun (Chairman), Mr. Zhang Jinfan and Mr. Guo Yaoli.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 were audited by BDO Limited. A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board
Mr. Ma Baojun
Chairman

22 March 2023

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SHENG YUAN HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 62 to 127, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.1 in the consolidated financial statements, which indicates that, for the year ended 31 December 2022, the Group incurred a loss of approximately HK$6 million and as of that date, had net current liabilities and net liabilities of approximately HK$53 million and HK$37 million respectively and the Group had a convertible bonds with a principal amount of HK$150 million issued which will be due in May 2023. As stated in note 3.1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of trade receivables

The gross amount of the Group's trade receivables as at 31 December 2022 amounted to approximately HK$32,002,000 as set out in note 20 to the consolidated financial statements. The measurement of the expected credit losses ("ECLs") allowance for financial assets measured at amortised cost is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgments, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs according to the accounting policy as set out in note 3.11(a). Based on management's assessment, loss allowance of approximately HK$18,053,000 has been recognised in respect of these receivables.

We consider this a key audit matter because the management's impairment assessment of trade receivables requires the use of significant judgments and estimates and because the receivables are a significant item in the consolidated financial statements.

Refer to note 3.11(a) for accounting policies, note 4(i) for critical accounting estimates and notes 20 and 35(b)(i) of the accompanying financial statements.

Our response:

Our work included the following procedures:

- understanding the established policies and procedures with respect to the estimation of ECLs;
- substantively validating the accuracy of the ageing of trade receivables as at the reporting date, by agreeing a sample of data to the underlying documents;
- assessing the reasonableness of the management's estimate on loss allowance by examining the information used to form such judgement, which include testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising loss allowances;
- evaluating the disclosures regarding ECLs assessment of trade receivables in note 35(b)(i) to the consolidated financial statements; and
- inspecting cash receipts from customers after the financial year end relating to trade receivable balances as at 31 December 2022 on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

INDEPENDENT AUDITOR'S REPORT

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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the directors, 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.

BDO Limited
Certified Public Accountants
Yu Tsui Fong
Practising Certificate No.: P05440

Hong Kong, 22 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	59,940	43,306
Other gains and losses	7	(7,030)	1,199
Other income	8	7,158	272
Purchase of inventories for trading business		(11,283)	(1,660)
Staff costs	10	(11,246)	(10,797)
Depreciation	15,16	(2,997)	(3,005)
Finance costs	9	(9,445)	(7,962)
Other expenses		(14,257)	(7,907)
Loss allowances on trade receivables	35(b)	(14,521)	(3,088)
(Loss)/Profit before income tax	10	(3,681)	10,358
Income tax expense	11	(2,121)	(5,708)
(Loss)/Profit for the year		(5,802)	4,650
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences on translating foreign operations			
Exchange differences arising during the year		(46)	(4)
Other comprehensive income for the year		(46)	(4)
Total comprehensive income for the year		(5,848)	4,646

		HK cents	HK cents (Restated)
(Loss)/Earnings per share	13		
— Basic		(1.52)	1.22
— Diluted		(1.52)	1.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	579	1,274
Right-of-use assets	16	1,706	4,008
Trading rights	17	–	–
Goodwill	18	–	–
Other assets	19	1,705	1,705
Long-term deposit		–	806
Debt instruments held at fair value through profit or loss ("FVTPL")	22	11,989	19,797
		15,979	27,590
Current assets			
Trade and other receivables, deposits and prepayments	20	18,021	28,585
Held for trading investments	21	15,936	265
Current tax assets		2,442	3,105
Trust bank balances held on behalf of clients	23	82,381	30,262
Cash and cash equivalents	24	79,929	69,100
		198,709	131,317
Current liabilities			
Trade and other payables and accruals	25	99,673	41,841
Lease liabilities	16	2,270	2,432
Contract liabilities	28	513	450
Current tax liabilities		–	2,827
Convertible bonds	27	149,388	–
		251,844	47,550
Net current (liabilities)/assets		(53,135)	83,767
Non-current liabilities			
Convertible bonds	27	–	140,395
Lease liabilities	16	–	2,270
		–	142,665
Net liabilities		(37,156)	(31,308)
EQUITY			
Share capital	30	38,197	190,985
Reserves	31	(75,353)	(222,293)
Capital deficiency		(37,156)	(31,308)

On behalf of the Board

Zhao Yun	**Zhou Quan**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium* *HK$'000*	Shareholder's contribution* *HK$'000*	Capital redemption reserve* *HK$'000*	Convertible bond equity reserve* *HK$'000*	Contributed surplus* *HK$'000*	Currency translation reserve* *HK$'000*	Accumulated losses* *HK$'000*	Total *HK$'000*
At 1 January 2021	190,985	320,370	7,834	477	–	–	(1,309)	(569,119)	(50,762)
Issue of convertible bonds by the Company	–	–	–	–	14,808	–	–	–	14,808
Transactions with owners	–	–	–	–	14,808	–	–	–	14,808
Profit for the year	–	–	–	–	–	–	–	4,650	4,650
Other comprehensive income									
— Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(4)	–	(4)
Total comprehensive income for the year	–	–	–	–	–	–	(4)	4,650	4,646
At 31 December 2021	190,985	320,370	7,834	477	14,808	–	(1,313)	(564,469)	(31,308)

	Attributable to owners of the Company								
	Share Capital ***HK$'000***	**Share premium*** ***HK$'000***	**Shareholder's contribution*** ***HK$'000***	**Capital redemption reserve*** ***HK$'000***	**Convertible bond equity reserve*** ***HK$'000***	**Contributed surplus*** ***HK$'000***	**Currency translation reserve*** ***HK$'000***	**Accumulated losses*** ***HK$'000***	**Total** ***HK$'000***
At 1 January 2022	**190,985**	**320,370**	**7,834**	**477**	**14,808**	**–**	**(1,313)**	**(564,469)**	**(31,308)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,802)**	**(5,802)**
Other comprehensive income									
— Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(46)**	**–**	**(46)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(46)**	**(5,802)**	**(5,848)**
Capital reorganisation *(note 30)*	**(152,788)**	**–**	**–**	**–**	**–**	**152,788**	**–**	**–**	**–**
At 31 December 2022	**38,197**	**320,370**	**7,834**	**477**	**14,808**	**152,788**	**(1,359)**	**(570,271)**	**(37,156)**

* These accounts comprise negative reserves of HK$75,353,000 (2021: HK$222,293,000) in the consolidated statement of financial position at 31 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000 Re-presented
Cash flows from operating activities			
(Loss)/Profit before tax for the year		(3,681)	10,358
Adjustments for:			
Depreciation of property, plant and equipment	15	695	703
Depreciation of right-of-use assets	16	2,302	2,302
Dividend income from equity instruments	8	(784)	–
Finance costs	9	9,445	7,962
Loss allowances on trade receivables	35(b)	14,521	3,088
Interest income	8	(3,871)	(2)
Interest spread arising from debt instruments arrangement	8	(1,785)	–
Fair value changes in held for trading investments	7	(150)	(1,071)
Fair value changes in debt instruments measured at FVTPL	7	7,410	(270)
Operating profit before working capital changes		24,102	23,070
Decrease in other assets		–	25
Increase in trade and other receivables, deposits and prepayments		(1,366)	(9,897)
(Increase)/Decrease in held for trading investments		(15,521)	826
Increase in trust bank balances held on behalf of clients		(52,119)	(17,618)
Increase in trade and other payables and accruals		57,832	18,855
Increase/(Decrease) in contract liabilities		63	(286)
Cash generated from operations		12,991	14,975
Interest received		1,223	2
Income tax paid		(4,285)	(8,393)
Net cash generated from operating activities		9,929	6,584
Cash flows from investing activities			
Acquisition of debt instruments measured at FVTPL		–	(19,527)
Dividend received		784	–
Interest received		2,648	–
Cash flows generated from/(used in) investing activities		3,432	(19,527)
Cash flows from financing activities			
Net proceeds from issue of convertible bonds	24	–	50,100
Interest paid	24	(452)	(736)
Repayment of lease liabilities	24	(2,432)	(1,966)
Net cash (used in)/generated from financing activities		(2,884)	47,398
Net increase in cash and cash equivalents		10,477	34,455
Cash and cash equivalents at beginning of the year		69,100	34,649
Effect of foreign exchange rate changes, on cash held		352	(4)
Cash and cash equivalents at end of the year		79,929	69,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Sheng Yuan Holdings Limited (the "Company") is an exempted company with limited liability incorporated and domiciled in Bermuda. The address of its registered office is 4/F North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda and its principal place of business is 26th Floor, 238 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of securities brokerage and financial services, asset management services, proprietary trading and trading business.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the board of directors on 22 March 2023.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Amended HKFRSs effective for annual period beginning on or after 1 January 2022

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA.

Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRSs 2018 – 2020	Amendments to HKFRS 1 First-time Adoption of HKFRS, HKFRS 9 Financial Instruments, HKFRS 16 Lease and HKAS 41 Agriculture
Amendment to HKFRS 3	Reference to Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of amended HKFRSs has no material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[2,3]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. The directors of the Company anticipate that these new or amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements on pages 62 to 127 have been prepared in accordance with HKFRSs issued by the HKICPA. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of amended HKFRSs and the impact on the Group's consolidated financial statements, if any, are disclosed in note 2 to the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

During the year ended 31 December 2022, the Group incurred a loss of approximately HK$6 million and as of that date, had net current liabilities and net liabilities of approximately HK$53 million and HK$37 million respectively and the Group had a convertible bonds with a principal amount of HK$150 million (note 27) issued to the Company's substantial shareholder, Yuanyin Holdings Limited, which will be due in May 2023 ("SYHL Bonds"). These conditions may cast significant doubt about the Company's ability to continue as going concern.

Given the above conditions, the Company's directors have prepared a cash flow projection ("Projection") for a period of eighteen months after the end of the reporting period, after taking the following into consideration:

- The substantial shareholder, Yuanyin Holdings Limited, has irrevocably undertaken that, in the absence of any event of default under the SYHL Bonds and subject to the fulfilment of all the conditions precedent of conversion, it is obliged to exercise its conversion rights to convert all of the SYHL Bonds to conversion shares before the end of the conversion period. Subsequent to year end date, the Company received a notice from Yuanyin Holdings Limited of its intention to exercise the conversion rights in respective of the SYHL Bonds in full, subject to the conversion conditions including inter alia, regulatory and shareholder's approval as stipulated in the terms and conditions of the SYHL Bonds;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation *(Continued)*

- In the event that the conversion of shares is not completed during the conversion period of the SYHL Bonds, Yuanyin Holding Limited agrees to extend the subscription agreement of SYHL Bonds for another two years with all other clauses remain unchanged; and

- The Group is working on expanding its operations through soliciting new customers and shall continue to apply various measures to tighten its operating expenditures in order to improve its financial performance and cash flows.

Based on the above measures, the Company's directors are of the opinion that the Group will be able to generate sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the forecast period under the Projection. Accordingly, the consolidated financial statements are prepared on a going concern basis. Nevertheless, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the consolidated financial statements to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the consolidated financial statements.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in consolidated profit or loss.

3.3 Subsidiaries

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

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in currency translation reserve in equity and attributable to non-controlling interests as appropriate. Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

On disposal of a foreign operation involving loss of control over a subsidiary or significant influence over an associate that includes a foreign operation, the cumulative exchange differences relating to that foreign operation accumulated in currency translation reserve are reclassified from equity to profit or loss as part of the gain or loss on disposal.

3.5 Revenue recognition

Revenue is recognised when the Group transfers control of goods and services to customers and is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition *(Continued)*

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition *(Continued)*

The Group's recognition policies for revenue in relation to the following services are as follows.

(a) *Fund and portfolio management and investment advisory services*

The Group earns management and investment advisory fees from investment funds and portfolio from managing clients' assets, at a fixed percentage of monthly net asset value or invested capital. The fees are recognised over the period when the related services are performed as customers simultaneously consume and receive benefits when services are rendered. Fees are billed on a regular basis (typically monthly, quarterly and semi-annually of a calendar year) and are earned to the extent that a significant reversal in future is not highly probable in accordance with specific terms of individual contracts. Generally, fees are not subject to clawback when they are billed. The Group also earns performance and incentive fees based on fund performance during the measurement period (generally over twelve-months), subject to the achievement of high-water marks or hurdle rates, in accordance with the respective terms set out in the investment management agreement. The fees are recognised as revenue when it is highly probable that a significant reversal of such fees will not occur.

(b) *Securities and futures brokerage services*

The Group earns commissions from execution of client transactions in the trading securities and listed derivatives. The execution of client transactions also included settlement and clearing services, which are provided together and represent a single performance obligation as the services are not separately identifiable from other promises within the context of the contract. Commissions are recognised at a point in time on trade date when the performance obligation is satisfied, that is when the customer obtained the rights to the underlying financial instruments.

(c) *Underwriting and placement services*

The Group earns underwriting and placing commissions by providing capital raising services for corporate clients. Underwriting and placing fees are recognised at a point in time when the performance obligation is completed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition *(Continued)*

(d) Custodian services

Custodian fee is recognised over time when services are provided in accordance with the relevant service agreements.

(e) Financial advisory services

The Group earns financial advisory fee income from assignments in connection with mergers, acquisitions and restructuring transactions. The Group's performance obligation is generally satisfied at a point in time upon closing of a transaction, at which point of time the Group has transferred and the customer obtains control of the promised service. Non-refundable deposits and milestone payments are initially recorded as contract liability in the consolidated statement of financial position and subsequently recognised in revenue upon completion of the underlying transaction or when the contract is terminated. However, for certain contracts, revenue is recognised over time for advisory arrangements in which the performance obligations are simultaneously provided by the Group and consumed by the customers and the fee from these advisory services are recognised rateably over the service period.

(f) Trading of goods and products

Revenue from trading of goods and products is recognised point in time when the goods and products are delivered and the customer has accepted the goods and the products.

3.6 Borrowing costs

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

3.7 Trading rights

Trading rights represent the eligibility rights to trade on or through Hong Kong Futures Exchange Limited and the Stock Exchange. Trading rights acquired separately are measured initially at cost. The cost of trading rights acquired in a business combination is its fair value at the acquisition date. After initial recognition, trading rights with indefinite useful lives are carried at cost less any accumulated impairment losses. The useful life of trading rights that is indefinite is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant and equipment

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

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

Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15%–20%

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

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

3.9 Government grant

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants 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 and are recognised as other income, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Leases

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements and the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Leases *(Continued)*

Lease liability *(Continued)*

Subsequent to the commencement date, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

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

- The lease term has changed or there is a significant event or change in circumstance resulting a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- The lease payments change due to changes in an index or rate or a change in expected payments a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

- There is lease modification not accounted for as a separate lease, in which the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate.

3.11 Financial instruments

(a) Financial assets

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Trade receivable without a significant financing component is initially measured at transaction price. All other financial assets are initially measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

Derecognition of financial assets occurs when, and only when, the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. On derecognition of a financial asset in its entirety, the difference between the carrying amount of assets derecognised and the sum of the consideration received and receivable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised is recognised in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms that require delivery of assets within the time frame established generally by regulation or convention in the marketplace concerned.

Classification and measurement

Financial assets of the Group are classified into (i) financial assets measured at amortised cost and (ii) financial assets measured at FVTPL. The classification is determined by both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, these are measured at amortised cost using the effective interest method. Interest income is recognised using the effective interest method for debt instruments 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. Interest income and any gain or loss on derecognition are recognised in profit or loss.

Financial assets that do not meet the criteria for being measured at amortised cost and that are held within a business model other than "hold to collect and sell" are measured at FVTPL. Financial assets at FVTPL are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses, which are measured as the present value of the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive (i.e. expected cash shortfalls). The expected cash shortfalls are discounted at the effective interest rate of the financial assets. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECLs for trade receivables that result from transactions that are within the scope of HKFRS 15. Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial assets measured at amortised cost, when the credit risk on a financial instrument has not increased significantly since initial recognition (i.e. stage 1), the Group is required to measure the loss allowance for a financial instrument at an amount equal to 12-month ECLs, which represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. When the credit risk on that financial instrument has increased significantly since initial recognition (i.e. stage 2) or when the financial instrument is a credit-impaired financial asset (i.e. stage 3), the Group recognised lifetime ECLs.

In assessing whether the credit risk on a financial instrument 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 since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- 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; or
- significant increases in credit risk on other financial instruments of the same debtor.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset 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.

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

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

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

- significant financial difficulty of the issuer or the borrower;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- a breach of contract, such as a default or past due event.

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FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

In addition, the Group considers that an event of default occurs when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. 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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial liabilities are recognised initially, they are measured at fair value, less, in the case of financial liabilities not at FVTPL, directly attributable transaction costs.

Financial liabilities are derecognised when, and only when, the obligation under the financial liabilities is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amount is recognised in profit or loss.

Financial liabilities of the Group are classified into financial liabilities measured at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost, using effective interest method. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial instruments *(Continued)*

(c) Convertible bonds

Convertible bonds issued by the Company and subsidiaries that contain both the host liability component, conversion option component and other embedded derivatives components (such as early redemption option) which are not closely related to the host liability component are classified separately into their respective items on initial recognition.

Conversion option that will be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments is classified as an equity instrument. Conversion option that will be settled by the issuer other than exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments is a conversion option derivative. Derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contract are not held for trading or designated as at FVTPL.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, derivative and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the derivative component are recognised in profit or loss immediately. Transaction costs relating to the equity component are recognised directly in equity.

At the date of initial recognition, the liability component is recognised at fair value. The equity component is determined by deducting the amount of the liability component from the fair value of the convertible bonds and is included in convertible bond equity reserve within equity.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component will remain in convertible bond equity reserve until the conversion option is exercised (in which case the amount included in convertible bond equity reserve and the carrying value of the liability component at the time of conversion are transferred to share capital and share premium as consideration for the shares of the Company issued). Where the conversion option remains unexercised at the expiry dates, the balance stated in convertible bond equity reserve will be released to the retained profits/accumulated losses.

(d) Offsetting financial instruments

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

(e) 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 Group are recognised at the proceeds received, net of direct issue costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Accounting for income taxes

Income taxes comprise current tax and deferred tax.

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Accounting for income taxes *(Continued)*

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

3.13 Cash and cash equivalents

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

3.14 Employee benefits

Retirement benefits

The Group participates in staff retirement benefit schemes for employees in Hong Kong and the People's Republic of China ("PRC"), comprising a Mandatory Provident Fund Scheme ("MPF Scheme") and a state-managed retirement benefit scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and the relevant group companies. The retirement benefit scheme costs charged to profit or loss represent contributions payable by the Group to the schemes.

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

The subsidiaries operating in the PRC are required to participate in the state-managed retirement benefit scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit scheme at a specified percentage of the employees' relevant income and there are no other further obligations to the Group.

Short-term employee benefits

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Share-based payments

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

All services received in exchange for the grant of any share options are ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve within equity.

If service or non-market performance vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. 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, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to retained profits/accumulated losses.

3.16 Impairment of non-financial assets

Goodwill and trading rights with an indefinite useful life are tested for impairment at least annually and whenever there is any indication that they may be impaired. Property, plant and equipment and right-of-use assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets or group of assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. cash-generating unit, "CGU"). Goodwill is allocated to the relevant CGUs that are expected to benefit from the synergies of the acquisition. As a result, some assets are tested individually for impairment and some are tested at CGU level. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Impairment of non-financial assets *(Continued)*

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

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

3.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

3.18 Related parties

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

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the Group's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Related parties *(Continued)*

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) dependants of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition to the critical accounting judgements and other key sources of estimation uncertainty disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty at the end of the reporting period and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) ECL of financial assets measured at amortised cost

The measurement of the ECL allowance for financial assets measured at amortised cost is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgments, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgements and assumptions used in measuring ECLs is set out in note 3.11(a) to these consolidated financial statements. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(ii) Current tax and deferred tax

The Group is mainly subjected to income tax in Hong Kong. Significant judgement is required in determining the amount of the provision and the timing of payment. There are many transactions and calculations for which the ultimate tax expense is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final outcome of these matters is different from the amounts that were originally estimated, such differences will impact the provision for income tax and deferred tax in the period in which such determination is made.

Deferred tax assets relating to certain deductible temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the period in which such estimate is changed.

(iii) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options or early termination options exercisable by the Group, the Group exercises judgement to evaluate the likelihood of exercising the renewal options or early termination options taking into account all relevant facts and circumstances that create economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken, penalties for early termination and the importance of that underlying asset to the Group's operation. Any changes in the lease term would affect the amount of right-of-use assets and lease liabilities recognised in future years. The Group also exercises judgement to determine whether there is a significant event or change in circumstance that is within the Group's control that would require the lease term to be reassessed.

5. SEGMENT INFORMATION

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

(a) securities brokerage and financial services — provision of discretionary and non-discretionary dealing services for securities and futures contracts, securities placing and underwriting services, margin financing and money lending services, corporate finance advisory and general advisory services;

(b) asset management services — provision of fund management and discretionary portfolio management and investment advisory services;

(c) proprietary trading — investment holding and securities trading; and

(d) trading business — trading of chemical products and energy and minerals products.

5. SEGMENT INFORMATION *(Continued)*

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

2022	Securities brokerage and financial services *HK$'000*	Asset management services *HK$'000*	Proprietary trading *HK$'000*	Trading business *HK$'000*	Total *HK$'000*
Reportable segment revenue					
External customers					
— Fee and commission income	27,666	20,823	–	–	48,489
— Trading of chemical products	–	–	–	11,451	11,451
	27,666	20,823	–	11,451	59,940
Revenue from external customers					
— Timing of revenue recognition					
Point in time	27,386	–	–	11,451	38,837
Over time	280	20,823	–	–	21,103
	27,666	20,823	–	11,451	59,940
— Geographical region					
Hong Kong	27,666	20,823	–	11,451	59,940
Reportable segment result	18,587	6,196	(2,022)	141	22,902
Loss allowances on trade receivables	4,785	9,736	–	–	14,521
Fair value gain on held for trading investments	–	–	150	–	150
Changes in fair value of debt instruments held at FVTPL	–	–	(7,410)	–	(7,410)
Interest income from banks and others	1,205	7	–	–	1,212
Reportable segment assets	83,027	11,495	29,856	61	124,439
Reportable segment liabilities	82,883	712	6,849	60	90,504

5. SEGMENT INFORMATION *(Continued)*

2021	Securities brokerage and financial services *HK$'000*	Asset management services *HK$'000*	Proprietary trading *HK$'000* Re-presented	Trading business *HK$'000*	Total *HK$'000* Re-presented
Reportable segment revenue					
External customers					
— Fee and commission income	12,268	29,357	–	–	41,625
— Trading of chemical products	–	–	–	1,681	1,681
	12,268	29,357	–	1,681	43,306
Revenue from external customers					
— Timing of revenue recognition					
Point in time	12,268	–	–	1,681	13,949
Over time	–	29,357	–	–	29,357
	12,268	29,357	–	1,681	43,306
— Geographical region					
Hong Kong	12,268	29,357	–	1,681	43,306
Reportable segment result	6,105	22,346	1,061	(199)	29,313
Loss allowances on trade receivables	(303)	3,391	–	–	3,088
Fair value gain on held for trading investments	–	–	1,071	–	1,071
Change in fair value of debt instruments held at FVTPL	–	–	270	–	270
Reportable segment assets	32,033	25,128	21,481	2,783	81,425
Reportable segment liabilities	31,069	1,171	41	62	32,343

Following the change of the regular internal financial information reported to the executive directors, certain comparative figures on the measurement of the segment assets have been represented to conform the current year's presentation.

The measurement policies of the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that certain other income; directors' emoluments; interest expenses on lease liabilities and liability component of the convertible bonds; income tax expense; and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments.

5. SEGMENT INFORMATION *(Continued)*

Segment assets include all assets but do not include current tax assets and bank balances of the Group. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters. Segment liabilities include all liabilities but do not include current tax liabilities and convertible bonds. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Reportable segment revenue	**59,940**	43,306
Group's revenue	**59,940**	43,306
Reportable segment result	**22,902**	29,313
Other income	**729**	272
Finance costs	**(9,445)**	(7,962)
Corporate expenses**	**(17,867)**	(11,265)
Group's (loss)/profit before income tax	**(3,681)**	10,358

	2022 ***HK$'000***	2021 *HK$'000* (Re-presented)
Reportable segment assets	**124,439**	81,425
Current tax assets	**2,442**	3,105
Cash and cash equivalents	**79,929**	69,100
Corporate assets	**7,878**	5,277
Group's assets	**214,688**	158,907
Reportable segment liabilities	**90,504**	32,343
Convertible bonds	**149,388**	140,395
Current tax liabilities	**–**	2,827
Corporate liabilities	**11,952**	14,650
Group's liabilities	**251,844**	190,215

	Reportable segment total		**Unallocated**		**Consolidated**	
	2022 ***HK$'000***	2021 *HK$'000*	**2022** ***HK$'000***	2021 *HK$'000*	**2022** ***HK$'000***	2021 *HK$'000*
Other material items						
Depreciation and amortisation	**–**	–	**2,997**	3,005	**2,997**	3,005
Finance costs	**–**	–	**9,445**	7,962	**9,445**	7,962

5. SEGMENT INFORMATION *(Continued)*

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which the subsidiary operates. The geographical location of non-current assets* is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use assets.

	Revenue from external customers		Non-current assets*	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)#	**59,940**	43,306	**2,285**	5,282

* Non-current assets exclude deferred tax assets, financial instruments and other assets.

** mainly staff costs, including directors' emoluments, and other professional fees.

\# The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of disclosures as required by HKFRS 8, Operating Segments.

The Group's customers include the following with whom transactions have exceeded 10% of the Group's revenue:

	2022	2021
	HK$'000	*HK$'000*
Customer A *(note i)*	**9,926**	N/A
Customer B *(note ii)*	**9,161**	N/A
Customer C *(note ii)*	**–**	9,782
Customer D *(note iii)*	**10,000**	10,000
Customer E *(note iii)*	**6,616**	6,700
Customer F *(note iii)*	**–**	5,000
Customer G *(note ii)*	**5,820**	–
Customer H *(note ii)*	**5,820**	–

Notes:

i. Revenue from these customers is attributable to trading segment.

ii. Revenue from these customers is attributable to securities brokerage and financial services segment.

iii. Revenue from these customers is attributable to asset management services segment.

6. REVENUE

	2022 HK$'000	2021 HK$'000
Securities brokerage and financial services segment:		
— Securities and futures brokerage	**1,442**	61
— Underwriting and placing	**25,944**	12,207
— Custodian fee	**280**	–
	27,666	12,268
Asset management services segment:		
— Fund and portfolio management and investment advisory	**20,823**	29,357
Trading business segment:		
— Trading of chemical products	**11,451**	1,681
Total	**59,940**	43,306

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2022 HK$'000	2021 HK$'000
Trade receivables *(Note 20)*	**13,949**	26,023
Contract liabilities *(Note 28)*	**513**	450

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its customer contracts relating to fund and portfolio management and investment advisory services such that the Group had not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less and any estimated amounts of variable consideration that are constrained.

7. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Changes in fair value of debt instruments held at FVTPL	**(7,410)**	270
Changes in fair value of held for trading investments	**150**	1,071
Net foreign exchange gains/(loss)	**222**	(142)
Other	**8**	–
	(7,030)	1,199

8. OTHER INCOME

	2022 **HK$'000**	2021 *HK$'000*
Interest income from banks and others	**1,223**	2
Interest income from debt instruments *(note a)*	**2,648**	–
Interest spread arising from debt instruments arrangement *(note b)*	**1,785**	–
Dividend income from equity instrument	**784**	–
Government subsidies *(note c)*	**456**	–
Sundry income	**262**	270
	7,158	272

Notes:

(a) It represented the interest income of listed bond carrying interest at 12.5% per annum (Note 22).

(b) On 8 September 2021, 15 September 2021 and 16 September 2021, the Group has subscribed for certain listed bonds and a note ("Atta Notes") issued by Atta Asset 4 Limited ("Atta Asset") in an aggregate principal amount of US$29,580,000 (approximately HK$230,724,000), comprising the Group's proprietary investment with a subscription amount of US$2,500,000 (approximately HK$19,500,000) and the Flourishing Fund's Subscriptions (as further explained below). In the opinion of the Directors, the Group's proprietary investment was financed by the Group's internal resources while the Flourishing Fund's Subscriptions was financed by a note of US$27,080,000 (approximately HK$211,224,000) carrying interest at 12.5% per annum ("Kingwell Notes") issued by the Group to Flourishing Fountain Investment Limited ("Flourishing"), an independent third party. The Flourishing Fund's Subscriptions comprised (i) subscription of certain listed bonds in the principal amount of US$10,580,000 (approximately HK$82,524,000) with coupon rate of 12.5% per annum; (ii) the subscription of certain listed bonds in the principal amount of US$6,500,000 (approximately HK$50,700,000) with coupon rate of 12.5% per annum and (iii) the entering into of the Atta Notes purchase agreement and the purchase of Atta Notes in the principal amount of US$10,000,000 (approximately HK$78,000,000) which shall pay interest of US$740,000 semiannually since 1 May 2022 and up to 7 May 2024 (equivalent to 14.8% per annum). Flourishing would bear the loss incurred (if any) by the Flourishing Fund's Subscriptions pursuant to the terms of the transaction documents with respect to the Kingwell Notes.

The effect of the purchase of the Atta Notes, which is a leveraged note, by the Group with the corresponding part of the proceeds from Kingwell Notes is that the Group has facilitated an additional leverage subscription of the listed bonds as Atta Assets has also subscribed for the listed bonds for economic hedge purpose. In this respect, pursuant to the terms of the Atta Notes and the Kingwell Notes, the Group is able to earn an interest spread of approximately 2% per annum of its principal subscription amount of the Atta Notes, being the difference between its interest receivables from the Atta Notes and its interest payables under the Kingwell Notes. During the year ended 31 December 2022, the Group recognised a net note interest spread of US$230,000 (approximately HK$1,785,000) under other income (2021: Nil).

Further details on the above transactions are detailed in the Company's announcements dated 12 August 2022 and the Company's circular dated 30 November 2022.

(c) It represented the grants under the Employment Support Scheme ("ESS") introduced by HKSAR Government to provide financial support to employers during the period of economic uncertainty as a result of global pandemic outbreak of COVID-19. The grants were allocated over the period to match the relevant costs incurred. There were no unfulfilled and other contingencies attaching to ESS.

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9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Effective interest on liability component of convertible bonds *(note 27)*	8,993	5,303
Interest on loans from a shareholder	–	1,923
Interest on lease liabilities *(note 16)*	452	736
	9,445	7,962

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2022 HK$'000	2021 HK$'000
(Loss)/Profit before income tax is arrived at after charging:		
Auditor's remuneration	1,965	1,390
Expense relating to short-term leases	105	101
Staff costs, including directors' emoluments		
— Fees, salaries, allowances and bonuses	10,928	10,459
— Retirement benefit scheme contributions	318	338
	11,246	10,797

11. INCOME TAX EXPENSES

Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime for both current and previous years. Under the two-tier profits tax rates regime, the first HK$2 million of profits of qualifying corporation are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of corporation not qualifying for the two-tier profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

	2022 ***HK$'000***	2021 *HK$'000*
Current tax — Hong Kong profits tax		
— Provision for current year	**2,002**	5,380
— Under provision in respect of prior years	**119**	328
Total income tax expense	**2,121**	5,708

Reconciliation between income tax expenses and (loss)/profit before income tax at applicable tax rate is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
(Loss)/Profit before income tax	**(3,681)**	10,358
Notional tax at Hong Kong profits tax rate of 16.5% (2021: 16.5%)	**(607)**	1,709
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(50)**	–
Tax effect of concessionary tax rate	**(165)**	(165)
Tax effect of revenue not taxable for tax purpose	**(456)**	(402)
Tax effect of expenses not deductible for tax purpose	**1,500**	1,687
Tax effect of unused tax losses not recognised as deferred tax asset	**123**	2,469
Tax effect of prior years' unrecognised tax losses utilised this year	**(2,058)**	(2)
Tax effect of temporary differences not recognised	**3,715**	84
Under provision in respect of prior years	**119**	328
Income tax expense	**2,121**	5,708

12. DIVIDENDS

No dividend was proposed or paid during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

13. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss (2021: profit) attributable to owners of the Company of approximately HK$5,802,000 (2021: HK$4,650,000) and the weighted average number of 381,970,541 (2021: 381,970,541 (restated)) ordinary shares in issue during the year.

For the year ended 31 December 2022 and 2021, the weighted average number of ordinary shares has been adjusted for the effect of the capital reorganisation as detailed in note 30.

Diluted basic (loss)/earnings per share

For the year ended 31 December 2021

On 21 May 2021, the Company issued convertible bonds with aggregate principal amount of HK$150,000,000 (details are set out in note 27 to these consolidated financial statements). The computation of diluted earnings per share for the year did not assume the conversion of these convertible bonds as it would result in an increase in earnings per share.

For the year ended 31 December 2022

The computation of diluted loss per share did not assume the exercise or conversion of convertible bonds as the exercise or conversion of these convertible bonds as it would result in a decrease in loss per share.

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
2022				
Executive Directors				
Mr. Zhou Quan	**200**	**400**	**18**	**618**
Mr. Zhao Yun	**–**	**600**	**18**	**618**
Mr. Liu Zilei *(note (d))*	**–**	**254**	**7**	**261**
Non-Executive Directors				
Mr. Huang Shuanggang	**120**	**–**	**–**	**120**
Mr. Ma Baojun *(note (c))*	**74**	**–**	**–**	**74**
Independent Non-Executive Directors				
Mr. Zhang Jinfan	**120**	**–**	**–**	**120**
Ms. Huang Qin	**120**	**–**	**–**	**120**
Mr. Guo Yaoli *(note (b))*	**13**	**–**	**–**	**13**
Ms. Wen Han Qiuzi *(note (e))*	**80**	**–**	**–**	**80**
	727	**1,254**	**43**	**2,024**

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
2021				
Executive Directors				
Mr. Zhou Quan	200	400	18	618
Mr. Zhao Yun	–	600	18	618
Mr. Liu Yang *(note (a))*	–	567	15	582
Mr. Liu Zilei *(note (d))*	–	105	2	107
Non-Executive Directors				
Mr. Huang Shuanggang	120	–	–	120
Independent Non-Executive Directors				
Mr. Zhang Jinfan	120	–	–	120
Ms. Huang Qin	120	–	–	120
Ms. Wen Han Qiuzi *(note (e))*	120	–	–	120
	680	1,672	53	2,405

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14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2022 and 2021. No emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, nor as compensation for loss of office.

Notes:

(a) Resigned as executive director with effect on 28 October 2021.

(b) Appointed as independent non-executive director with effect on 21 November 2022.

(c) Appointed as non-executive director with effect on 20 May 2022.

(d) Appointed as executive director with effect on 28 October 2021 and resigned as executive director with effect on 19 May 2022.

(e) Resigned as independent non-executive director with effect on 1 September 2022.

Emoluments of five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year did not included directors (2021: included three directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining five (2021: two) individuals during the year are as follows:

	2022	2021
	HK$'000	*HK$'000*
Salaries and allowances	**4,046**	1,739
Retirement benefit scheme contributions	**90**	36
	4,136	1,775

During the years ended 31 December 2022 and 2021, no emolument was paid by the Group to the above five (2021: two) individuals as compensation for loss of office.

The emoluments of these five (2021: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2022	2021
Nil–HK$1,000,000	**4**	1
HK$1,000,001–HK$1,500,000	**1**	1
	5	2

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
At 1 January 2021			
Cost	2,374	379	2,753
Accumulated depreciation	(652)	(124)	(776)
Net carrying amount	1,722	255	1,977
Year ended 31 December 2021			
Opening net carrying amount	1,722	255	1,977
Depreciation	(628)	(75)	(703)
Closing net carrying amount	1,094	180	1,274
At 31 December 2021			
Cost	2,374	379	2,753
Accumulated depreciation	(1,280)	(199)	(1,479)
Net carrying amount	1,094	180	1,274
Year ended 31 December 2022			
Opening net carrying amount	**1,094**	**180**	**1,274**
Depreciation	**(619)**	**(76)**	**(695)**
Closing net carrying amount	**475**	**104**	**579**
At 31 December 2022			
Cost	**2,374**	**379**	**2,753**
Accumulated depreciation	**(1,899)**	**(275)**	**(2,174)**
Net carrying amount	**475**	**104**	**579**

16. LEASES

The Group leases a number of office properties from which it operates. Rental contracts are typically made for a fixed period of 3 years, but may have extension options which is exercisable by the Group to further extend the lease terms for 3 years.

The extension option in office leases have not been included in the lease liability since the Group could replace the assets without significant cost or business disruption. As at 31 December 2022, potential future cash outflows of HK$$8,650,000 (2021: HK$8,650,000) (undiscounted) have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended.

None of the leases contain variable lease payments.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the year:

Right-of-use assets

	Land and buildings	
	2022	2021
	HK$'000	*HK$'000*
At the beginning of the year	**4,008**	6,310
Depreciation	**(2,302)**	(2,302)
At the end of the year	**1,706**	4,008

Lease liabilities

	Land and buildings	
	2022	2021
	HK$'000	*HK$'000*
At the beginning of the year	**4,702**	6,668
Interest expense	**452**	736
Lease payments	**(2,884)**	(2,702)
At the end of the year	**2,270**	4,702
Analysed into:		
Current liabilities	**2,270**	2,432
Non-current liabilities	**–**	2,270

16. LEASES *(Continued)*

Lease liabilities *(Continued)*

The maturity analysis of lease liabilities is disclosed in note 35(c) to the consolidated financial statements.

As at 31 December 2022 and 2021, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	Minimum lease payments *HK$'000*	Interest *HK$'000*	Present value *HK$'000*
Not later than one year	2,884	(452)	2,432
Later than one year and not later than two years	2,401	(131)	2,270
At 31 December 2021	5,285	(583)	4,702
Not later than one year	**2,402**	**(132)**	**2,270**
At 31 December 2022	**2,402**	**(132)**	**2,270**

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Depreciation expense of right-of-use assets	**2,302**	2,302
Interest on lease liabilities *(note 9)*	**452**	736
Expense relating to short-term leases	**105**	101

The Group has no expense relating to leases of low-value assets, excluding short-term leases of low-value assets.

The total cash outflow for lease in the year ended 31 December 2022 was HK2,989,000 (2021: HK$2,803,000).

17. TRADING RIGHTS

	2022	2021
	HK$'000	*HK$'000*
Gross carrying amount		
At beginning and end of the year	**3,322**	3,322
Accumulated impairment		
At beginning and end of the year	**3,322**	3,322
Net carrying amount		
At beginning and end of the year	**–**	–

Trading rights represent the eligibility rights to trade on or through Hong Kong Futures Exchange Limited and the Stock 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 are considered by the management as having an indefinite useful life. Trading rights will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The trading rights had been fully impaired in the prior years.

18. GOODWILL

	2022	2021
	HK$'000	*HK$'000*
Gross carrying amount		
At beginning and end of the year	**7,000**	7,000
Accumulated impairment		
At beginning and end of the year	**7,000**	7,000
Net carrying amount		
At beginning and end of the year	**–**	–

Taking into account of the deteriorated financial performance of the asset management business, the unfavourable change in the capital market and the expectations for the market development, an impairment loss of HK$7,000,000 was recognised in respect of the goodwill in the prior years.

19. OTHER ASSETS

	2022 HK$'000	2021 HK$'000
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	**50**	50
Cash contribution to the Guarantee Fund of HKSCC	**50**	50
Deposit with HKFE Clearing Corporation Limited ("HKCC")	**1,500**	1,500
Deposits with the Stock Exchange		
— Compensation Fund	**50**	50
— Fidelity Fund	**50**	50
— Stamp duty	**5**	5
	1,705	1,705

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Trade receivables	**13,949**	26,023
Prepayments	**365**	1,869
Other receivables and deposits*	**3,707**	693
	18,021	28,585

* Comprised mainly receivables arising from a debt instrument arrangement.

The analysis of trade receivables is as follows:

	2022 HK$'000	2021 HK$'000
Arising from the business of dealing in securities and futures contracts		
— HKSCC and HKCC	**–**	8
Arising from asset management services	**23,809**	27,866
Arising from underwriting and placing services	**8,000**	–
Arising from custodian services	**193**	–
Arising from trading of chemical products	**–**	1,681
	32,002	29,547
Less: Loss allowances	**(18,053)**	(3,532)
	13,949	26,023

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The normal settlement terms of trade receivables arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of trade receivables arising from the business of dealing in futures contracts are one business day after the respective trade dates. The amount due from margin clients are repayable on demand subsequent to the settlement date and bear interest at Hong Kong Dollar Prime Rate plus a spread of 5% (2021: Hong Kong Dollar Prime Rate plus a spread of 3%) per annum. The amounts due from HKSCC are repayable on demand except for the required margin deposits for the trading of futures contracts.

Settlement of amounts arising from asset management services and underwriting and placing services is in accordance with the terms set out in respective agreements, usually within one year after the service obligation has been fulfilled.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 35(b) to these consolidated financial statements.

21. HELD FOR TRADING INVESTMENTS

	2022 ***HK$'000***	2021 *HK$'000*
Listed equity securities	**15,936**	265

22. DEBT INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 ***HK$'000***	2021 *HK$'000*
Listed debt securities issued by corporate entities *(note)*	**11,989**	19,797

Note:

During the year ended 31 December 2021, the Company made subscription in a listed bond amounting to US$2,500,000 (equivalent to HK$19,527,000). The listed bond carries interest at 12.5% per annum and with maturity date falls in April 2024. In the opinion of the directors of the Company, the debt instrument is for long-term strategic purposes and not intended to dispose of in near future. The fair value loss on the debt instruments of approximately HK$7,410,000 (2021: fair value gain of HK$270,000) has been recognised in "Other gains and losses" during the year ended 31 December 2022.

23. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of dealing in securities and futures contracts, it receives and holds money deposited by clients in the course of conducting its regulated activities. These clients' monies are maintained in one or more segregated bank accounts and earn interest at floating rates based on daily bank deposit rates of 0.625%(2021: 0.150%) per annum. The Group has recognised the corresponding trade payables to respective clients.

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents

	2022 ***HK$'000***	2021 *HK$'000*
Demand deposits and cash on hand	**79,929**	69,100

Demand deposits earn interest at floating rates based on daily bank deposit rates. The prevailing market interest rates for demand deposits in Hong Kong and in the PRC are 0.625% (2021: 0.150%) per annum and 0.200% (2021: 0.300%) per annum, respectively.

Included in cash and cash equivalents of the Group is RMB of HK$1,220,000 (2021: HK$828,000). RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

Other cash flow information

The movement of liabilities arising from financing activities for the year ended 31 December 2021 and 2022 is as follows:

	Lease liabilities HK$'000 (note 16)	Borrowings HK$'000 (note 26)	Convertible bonds HK$'000 (note 27)
At 1 January 2021	6,668	104,988	–
Changes from financing cash flows:			
— Proceeds received from issuance, net	–	–	50,100
— Repayment of lease liabilities	(1,966)	–	–
— Interest paid	(736)	–	–
Other changes:			
— Interest on lease liabilities	736	–	–
— Effective interest recognised	–	1,923	5,303
— Reallocation of interest payables to other payables upon repayment of loan principal	–	(7,111)	–
— Net off against proceeds from issuance of convertible bonds *(note 26)*	–	(99,800)	99,800
— Reallocation to equity conversion component	–	–	(14,808)
At 31 December 2021	4,702	–	140,395

	Lease liabilities *HK$'000* *(note 16)*	**Borrowings *HK$'000* *(note 26)***	**Convertible bonds *HK$'000* *(note 27)***
At 1 January 2022	**4,702**	**–**	**140,395**
Changes from financing cash flows:			
— Repayment of lease liabilities	**(2,432)**	**–**	**–**
— Interest paid	**(452)**	**–**	**–**
Other changes:			
— Interest on lease liabilities	**452**	**–**	**–**
— Effective interest recognised	**–**	**–**	**8,993**
At 31 December 2022	**2,270**	**–**	**149,388**

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022	2021
	HK$'000	*HK$'000*
Trade payables arising from the business of dealing in securities and futures contracts		
— Cash clients	**69,851**	30,202
— Margin clients	**12,258**	66
	82,109	30,268
Other payables	**14,145**	9,083
Accruals	**3,419**	2,490
	99,673	41,841

The normal settlement terms of trade payables arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of trade payables arising from the business of dealing in futures contracts are one business day after the respective trade dates. The amounts payable to cash and margin clients are repayable on demand except for the required margin deposits for the trading of futures contracts. No ageing analysis in respect of trade payables is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature.

26. BORROWINGS

A loan at 31 December 2020 with the principal amount of HK$99,800,000 was obtained from a wholly-owned subsidiary of Yuanyin Holdings Limited, an entity having significant influence over the Company, and was secured by a charge of the Company's shares owned by certain substantial shareholders of the Company, interest bearing at 5% per annum with repayable date in January 2022.

During the year ended 31 December 2021, the gross amount of HK$99,800,000 was settled, pursuant to the legally enforceable netting agreement, by way of netting off against part of the proceeds from issue of convertible bonds by the Company on 21 May 2021, details of which are set out in note 27.

27. CONVERTIBLE BONDS

Pursuant to subscription agreements entered into by the Company on 1 April 2021, the Company issued convertible bonds with principal amount of HK$150,000,000 ("SYHL Bonds"), to Yuanyin Holdings Limited, a shareholder of the Company, on 21 May 2021. The SYHL Bonds entitled the holder to convert them into ordinary shares of the Company at an initial conversion price of HK$0.3 after the capital reorganisation and share consolidation as set out in note 30 (b) (2021: HK$0.03 per share before capital reorganisation and share consolidation) of the Company at any time before the secondary anniversary date of the date of the issuance of SYHL Bonds ("SYHL Bonds Maturity Date") and bear interests at 1% per annum. Unless previously redeemed, converted or cancelled, the Company has to redeem each SYHL Bonds on the SYHL Bonds Maturity Date at 100% of the outstanding principal amount, together with accrued interest, if any.

Based on the terms of the subscription agreement, the SYHL Bonds contain two components, (i) the liability and (ii) the equity conversion components. The fair value of the liability component of SYHL Bonds upon the issuance was calculated at the present value of the estimated coupon interest payments and principal amount. The discount rate used in the calculation is 6%, representing the cost of debt applicable to SYHL for a similar bond without conversion option at the issue date.

The movements of the components of SYHL Bonds during the year are set out below:

	Liability component *HK$'000*	Equity conversion component *HK$'000*
At 1 January 2021	–	–
Issued during the year	135,092	14,808
Effective interest recognised *(note 9)*	5,303	–
At 31 December 2021 and 1 January 2022	**140,395**	**14,808**
Effective interest recognised *(note 9)*	**8,993**	**–**
At 31 December 2022	**149,388**	**14,808**

The coupon interest of HK$1,500,000 was due on 20 May 2022 and was not paid to Yuanyin Holdings Limited. This constituted an event of default of the convertible bonds according to the terms of the subscription agreement. Subsequent to the reporting date, the Company has obtained an undertaking letter from bondholder, which agreed to waive the event of default associated with the Company's failure to repay the coupon interest while at the same time, the Company is required to accrue the unpaid interest until the maturity date of the convertible bonds, or on the date of conversion, whichever comes first.

28. CONTRACT LIABILITIES

	2022 **HK$'000**	2021 *HK$'000*
Contract liabilities arising from:		
— Financial advisory	**450**	450
— Custodian services	**63**	–
	513	450

Typical payment terms which impact on the amount of contract liabilities are as follows:

Financial advisory

The Group may take a partial payment when entering into service agreement, with the remainder of the consideration receivable paid at the time of service rendered.

Custodian Services

The Group may take a partial or full payment when entering into service agreement, with the payment received in advance are recognised as revenue over the period when the related services are rendered.

Movements in contract liabilities are as follows:

	2022 **HK$'000**	2021 *HK$'000*
Balance as at 1 January	**450**	736
Increase in contract liabilities as a result of billing in advance	**63**	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**–**	(286)
Balance as at 31 December	**513**	450

29. DEFERRED TAX

The Group had estimated tax losses of HK$311,980,000 (2021: HK$324,055,000) to carry forward against future taxable profits which is subject to agreement by tax authorities. Tax losses of HK305,270,000 (2021: HK$317,884,000) were related to certain subsidiaries operating in Hong Kong and could be carried forward indefinitely under the current tax legislation. In addition, certain subsidiaries operating in the PRC had tax losses of HK$6,710,000 (2021: HK$6,170,000) which were subject to expiry period of five years from the year in which the tax loss arose. No deferred tax asset had been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams against which these unused tax losses could be utilised.

30. SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	Number of ordinary shares of HK$0.1 each	Nominal value *HK$'000*
Authorised:			
At 1 January 2021	8,000,000,000	–	400,000
Increase pursuant to an ordinary resolution *(Note a)*	4,000,000,000	–	200,000
At 31 December 2021 and 1 January 2022	12,000,000,000	–	600,000
Capital reorganisation and share consolidation *(Note b)*	(12,000,000,000)	6,000,000,000	–
At 31 December 2022	–	6,000,000,000	600,000
Issued and fully paid:			
At 1 January 2021, 31 December 2021 and 1 January 2022	3,819,705,413	–	190,985
Capital reorganisation and share consolidation *(Note b)*	(3,819,705,413)	381,970,541	(152,788)
At 31 December 2022	–	381,970,541	38,197

Notes:

(a) Pursuant to an ordinary resolution passed on 14 May 2021, the authorised share capital of the Company was increased from HK$400,000,000 divided into 8,000,000,000 shares of HK$0.05 each in the capital of the Company to HK$600,000,000 divided into 12,000,000,000 shares of HK$0.05 each in the capital of the Company.

(b) Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 22 September 2022, with effective from 26 September 2022, (i) the par value of each of the issued shares of the Company of HK$0.05 each (the "Existing Shares") be reduced from HK$0.05 to HK$0.01 by a cancellation of the paid-up capital to the extent of HK$0.04 on each issued Existing Share; (ii) each of the authorised but unissued Existing Shares of par value of HK$0.05 will be sub-divided into five Adjusted Shares (the Adjusted Shares") of par value of HK$0.01 each; and (iii) every ten (10) issued and unissued Adjusted Shares of par value HK$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated share of par value HK$0.10 each. This resulted in a transfer of HK$152,788,000 from share capital to contributed surplus of the same amount on 22 September 2022 (refer to consolidated statement of changes in equity on page 64.)

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

31. RESERVES

Share premium

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be credited to a contributed surplus account of the Company. Such contributed surplus, may be distributed when the Company is able to settle its liabilities when they fall due after such payment.

Shareholder's contribution

Shareholder's contribution represents the amount of borrowing due by the Company which was waived by a former shareholder during the year ended 30 April 2008.

Contributed surplus

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 22 September 2022, with effective from 26 September 2022, the par value of each of the Existing Shares be reduced from HK$0.05 to HK$0.01 by a cancellation of the paid-up capital to the extent of HK$0.04 on each issued Existing Share so that following the aforesaid steps, each issued Existing Share will be treated as one Adjusted Shares (the "Capital Reduction"), and the credit arising from the Capital Reduction of HK$152,788,000 be transferred to the contributed surplus account of the Company.

Capital redemption reserve

Capital redemption reserve was arising from the repurchase and cancelled of 47,720,000 ordinary shares of HK$0.01 each during the year ended 30 April 2001.

Convertible bond equity reserve

Convertible bond equity reserve represents the equity component of SYHL Bonds issued in 2021 which had not been converted into ordinary shares of the Company. Items included in convertible bond equity reserve will not be reclassified subsequently to profit or loss.

Currency translation reserve

Currency translation reserve represents all the foreign exchange differences arising from the translation of the financial statements and goodwill through acquisition of foreign operations from their functional currencies to the Group's presentation currency.

32. SHARE-BASED PAYMENTS

Pursuant to a special general meeting held on 15 October 2014, a new share option scheme ("2014 Scheme") was approved by the shareholders of the Company in place of the share option scheme adopted by the Company pursuant to the general meeting held on 24 September 2004 ("2004 Scheme").

The 2014 Scheme is also valid and effective for 10 years, after which no further share options may be issued under the 2014 Scheme but any share options granted thereto shall remain exercisable in accordance with the 2014 Scheme. The purpose of the 2014 Scheme is to enable the Group to grant share options to the Qualified Persons as incentives or rewards for their contribution to the Group.

The maximum number of shares which can be granted under the 2014 Scheme may not exceed 10% of the issued share capital of the Company from time to time. Pursuant to a resolution passed on the annual general meeting of the Company, dated 15 October 2014, the Company can grant 16,120,129 share options after the consolidation to the Qualified Persons, until the next time of refreshment. The maximum number of shares which can be granted under the 2004 Scheme and the 2014 Scheme may not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares issuable under the 2004 Scheme and the 2014 Scheme to each Qualified Persons within any 12-month's period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval.

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to prior shareholders' approval in a general meeting.

The exercise price in relation to each share option pursuant to the 2014 Scheme shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the share option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; or (iii) the nominal value of a share of the Company. There shall be no minimum holding period for the vesting or exercise of the share options under the 2014 Scheme but the share options are exercisable within the option period as determined by the board of directors of the Company.

At 31 December 2022 and 2021, there were no shares in respect of which options has been granted and remained outstanding under the 2014 Scheme.

33. RELATED PARTY TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2022 HK$'000	2021 HK$'000
A wholly-owned subsidiary of an entity having significant influence over the Company		
Yuanyin Finance Limited		
— Interest expense *(note (a))*	–	1,923
Yuanyin International Limited		
— Investment advisory income *(note (b))*	**3,905**	3,905
— Commission and brokerage income from securities trading	**118**	1

Notes:

(a) Interest expense of HK$1,923,000 for the year ended 31 December 2021 was in connection with the loan advanced from this entity. There was no such transaction in current year.

(b) Investment advisory income of HK3,905,000 (2021: HK$3,905,000) was in connection with the investment advisory agreement entered with Yuanyin International Limited, which is a wholly-owned subsidiaries of Yuanyin Holdings Limited, a substantial shareholder of the Company.

In addition to the balances detailed elsewhere in these consolidated financial statements, the Group had the following balances outstanding with related parties who are not members of the Group as below:

	2022 HK$'000	2021 HK$'000
Amount owed by the Group included in other payables and accruals *(note 25)*		
— Yuanyin Finance Limited *(note (i))*	**7,111**	7,111
Amount owed to the Group included in trade receivables *(note 20)*		
— Yuanyin International Limited *(note (ii))*	**7,525**	3,620

Notes:

(i) The amount owed by the Group is unsecured, non-interest bearing and repayable on demand.

(ii) The amount owed to the Group is unsecured, non-interest bearing and without any credit period.

Compensation of key management personnel

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	**1,981**	2,352
Post-employment benefits	**43**	53
	2,024	2,405

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34. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows:

	2022	2021
	HK$'000	*HK$'000*
Financial assets		
FVTPL		
— Debt instruments	**11,989**	19,797
— Held for trading investments	**15,936**	265
	27,925	20,062
Amortised cost		
— Other assets	**1,705**	1,705
— Rental deposit	**806**	806
— Trade receivables	**13,949**	26,023
— Other receivables and deposits	**2,901**	693
— Trust bank balances held on behalf of clients	**82,381**	30,262
— Cash and cash equivalents	**79,929**	69,100
	181,671	128,589
	209,596	148,651
Financial liabilities		
Amortised cost		
— Trade payables	**82,109**	30,268
— Other payables	**14,145**	9,083
— Accruals	**3,419**	2,490
— Liability component of convertible bonds	**149,388**	140,395
	249,061	182,236
Lease liabilities	**2,270**	4,702
	251,331	186,938

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments are disclosed in note 34. 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 risks to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Currency risk

The Group is exposed to currency risk primarily through receivables from and payables to clients from the provision of services and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are RMB and US$.

To manage the currency risk, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Group may also use foreign exchange forward contracts to minimise its currency risk exposure, except for those transactions denominated in US$ which are, or are expected to be, entered into by operations with a functional currency of HK$. No foreign exchange forward contracts are entered for these transactions as the Group considers the risk of changes in exchange rates between HK$ and US$ to be insignificant.

The following table details the Group's financial assets and liabilities denominated in currencies, other than the functional currency of the entities to which they relate, at the end of the reporting period:

	Expressed in HK$			
	2022		2021	
	US$	**RMB**	US$	RMB
	$'000	***$'000***	*$'000*	*$'000*
Trade and other receivables	**7,745**	**–**	234	7
Trust bank balances held on behalf of clients	**53,775**	**–**	21,199	–
Cash and cash equivalents	**54,195**	**6**	40,611	9
Trade and other payables and accruals	**(51,040)**	**–**	(21,199)	–
Net exposure	**64,675**	**6**	40,845	16

The Group does not expect any significant changes in US$/HK$ exchange rates as US$ is pegged to HK$. No sensitivity analysis in respect of RMB/HK$ exchange rates is disclosed as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant balances that are denominated in RMB at the reporting date.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amounts arising from lease liabilities (note 16) and liability component of convertible bonds (note 27) issued at fixed rates. The Group is also exposed to cash flow interest rate risk in relation to variable-rate financial assets of bank balances (notes 23 and 24).

To manage the interest rate risk, the Group may use interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 December 2022 and 2021, the Group did not have any outstanding interest rate swaps.

At 31 December 2022, if interest rates had increased by 2% (2021: 2%) while all other variables were held constant, the loss for the year would decrease by approximately HK$3,246,000 (2021: profit for the year would increase by approximately HK$1,982,000) and there would be a corresponding change in accumulated losses. If interest rates had decreased by 2% (2021: 2%) while all other variables were held constant, the loss for the year would increase by approximately HK$3,246,000 (2021: profit for the year would decrease by approximately HK$1,982,000) and there would be a corresponding change in accumulated losses. Other components of the consolidated equity would remain unchanged.

The sensitivity analysis has been determined by assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the analysis is prepared by assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk *(Continued)*

(iii) Price risk

The Group is exposed to price risk through its investments in equity securities and investment funds classified as held for trading investments (note 21) and debt instruments held at FVTPL (note 22). The Group's equity securities and debt instruments are listed on the Stock Exchange while investment funds invest primarily in companies listed in Hong Kong. Decisions to buy and sell are based on daily monitoring of the performance of individual equity and debt securities as well as the liquidity needs.

At 31 December 2022, if relevant prices had increased by 10% (2021: 10%) while all other variables were held constant, the loss for the year would decrease by approximately HK$2,792,000 (2021: the profit for the year would increase by approximately HK$2,007,000) and there would be a corresponding change in accumulated losses. If relevant prices had decreased by 10% (2021: 10%) while all other variables were held constant, the loss for the year would increase by approximately HK$2,792,000 (2021: the profit for the year would decrease by approximately HK$2,007,000) and there would be a corresponding change in accumulated losses. Other components of the consolidated equity would remain unchanged.

The sensitivity analysis has been determined by assuming that the changes in price had occurred at the end of the reporting period and has been applied to those instruments which expose the Group to price risk at that date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

(i) Trade receivables

In order to minimise the credit risk on trade receivables, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to new customers. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty rather than the geographical area or industry and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual counterparties. At 31 December 2022, the Group had concentration of credit risk on trade receivables as 92% (2021: 88%) of the balance was due from five largest debtors.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

(i) Trade receivables (Continued)

At 31 December 2021, amount due from HKSCC represented unsettled trade transacted on the last two business days prior to the end of the reporting period. The following table provides information about the exposure to credit risk for amounts arising from asset management and securities brokerage and financial services:

		2022	
	Expected loss rate *(%)*	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*
Not yet past due	**0.11**	**3,559**	**(4)**
0–30 days past due	**3.43**	**1,805**	**(62)**
31–60 days past due	**9.82**	**1,802**	**(177)**
61–90 days past due	**15.76**	**1,383**	**(218)**
91–180 days past due	**28.71**	**2,731**	**(784)**
181–270 days past due	**57.05**	**9,072**	**(5,176)**
271–365 days past due	**97.59**	**766**	**(748)**
Over 365 days past due	**100.00**	**10,884**	**(10,884)**
		32,002	**(18,053)**

		2021	
	Expected loss rate *(%)*	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*
Not yet past due	2.14	7,488	(160)
0–30 days past due	0.45	2,010	(9)
31–60 days past due	2.79	328	(9)
61–90 days past due	2.79	1,974	(55)
91–180 days past due	2.79	5,974	(167)
181–270 days past due	2.79	8,889	(248)
271–365 days past due	2.79	–	–
Over 365 days past due	100.00	2,884	(2,884)
		29,547	(3,532)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

(i) Trade receivables (Continued)

The Group measures loss allowance for amounts arising from asset management services and securities brokerage and financial services at an amount equal to lifetime ECL. In measuring the ECLs, these receivables have been assessed on a collective basis when they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. Based on the corresponding historical credit losses and current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding, loss allowance of HK$14,521,000 (2021: HK$3,088,000) has been recognised during the current year.

As at 31 December 2021, for amounts due from HKSCC and HKCC, these receivables were considered to have low credit risk based their historical trading records.

The Group did not have any amounts due from margin clients as at 31 December 2022 and 2021.

(ii) Other assets and receivables

The balances are considered to have low credit risk as the counterparties have a low risk of default and does not have any past due amounts. Loss allowance for these balances is measured at an amount equal to 12-month ECL. No loss allowance was recognised as the amount of ECL for these balances is insignificant.

(iii) Trust bank balances held on behalf of clients and cash and cash equivalents

The balances are mainly held with banks which are rated at BBB+ to A+, based on international credit ratings agencies. Loss allowance for these balances is measured at an amount equal to 12-month ECL. No loss allowance was recognised as the amount of ECL for these balances is insignificant.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturities for its non-derivative 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. The undiscounted cash flows include both interest and principal payments:

	Carrying amount	Total contractual undiscounted cash flows	On demand or less than 6 months	6 months to 1 year	2 to 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2022					
Trade payables	**82,109**	**82,109**	**82,109**	**–**	**–**
Other payables	**14,145**	**14,145**	**14,145**	**–**	**–**
Accruals	**3,419**	**3,419**	**3,419**	**–**	**–**
Lease liabilities	**2,270**	**2,402**	**2,161**	**241**	**–**
Liability component of the convertible bonds	**149,388**	**153,000**	**153,000**	**–**	**–**
	251,331	**255,075**	**254,834**	**241**	**–**
At 31 December 2021					
Trade payables	30,268	30,268	30,268	–	–
Other payables	9,083	9,083	9,083	–	–
Accruals	2,490	2,490	2,490	–	–
Lease liabilities	4,702	5,285	1,442	1,442	2,401
Liability component of the convertible bonds	140,395	153,000	1,500	–	151,500
	186,938	200,126	44,783	1,442	153,901

36. FAIR VALUE MEASUREMENT

Financial instruments measured at fair value

The following table presents the Group's financial instruments measured at fair value on a recurring basis in the consolidated statement of financial position according to the fair value hierarchy. The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 *HK$'000* *(note (a))*	**Level 2** *HK$'000* *(note (b))*	**Level 3** *HK$'000*	**Total** *HK$'000*
At 31 December 2022				
Financial assets at FVTPL				
— Listed debt securities	**–**	**11,989**	**–**	**11,989**
— Listed equity securities	**15,936**	**–**	**–**	**15,936**
	15,936	**11,989**	**–**	**27,925**
At 31 December 2021				
Financial assets at FVTPL				
— Listed debt securities	–	19,797	–	19,797
— Listed equity securities	265	–	–	265
	265	19,797	–	20,062

The levels in the fair value hierarchy within which the financial instruments are categorised in its entirety are based on the lowest level of input that is significant to the fair value measurement. There were no transfers between levels 1 and 2 or transfers into or out of level 3 in the reporting periods. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

(a) Financial instruments in Level 1

The fair value of the listed equity securities is based on the quoted market prices at the reporting date. The quoted market price used for the listed equity securities held by the Group is the current bid price.

36. FAIR VALUE MEASUREMENT *(Continued)*

Financial instruments measured at fair value *(Continued)*

(b) Financial instruments in Level 2

The fair value of the listed debt securities is derived from the latest available quoted transaction price prior to the reporting date plus accrued but unpaid interest as at year-end date.

Financial instruments measured at amortised cost

The fair value of the financial assets and financial liabilities at amortised cost under current assets and current liabilities, respectively, is not materially different from their carrying amount as they are all short term in nature.

37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement money obligations receivables and payables with HKSCC and it intends to settle on a net basis as trade receivables from or trade payables to HKSCC. For the net amounts of money obligations receivables or payables (i.e. after set-off) and other receivables and payables (such as deposits included under other assets), they do not meet the criteria for offsetting in the consolidated financial statements since the right to set-off of the recognised amount is only enforceable following an event of default and the Group does not intended to settle the balance on a net basis.

In addition, under the agreements signed between the Group and the clients for its dealing in securities and futures contracts, money obligations receivables and payables with the same client are settled on the net basis. The Group therefore has a legally enforceable right to set off the trade receivables and payables and the Group intended to settle these balances on a net basis.

The tables below set out the financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar arrangements:

	Amounts due from HKSCC, cash and margin clients	
	2022	2021
	HK$'000	*HK$'000*
Financial assets		
Gross amount of recognised financial assets	–	14
Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	–	(6)
Net amounts of financial assets included in the consolidated statement of financial position	–	8
Related amount not set off in the consolidated statement of financial position		
— financial instruments	–	–
— financial collaterals	–	–
Net amounts	–	–

37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

	Amounts due to HKSCC, cash clients and margin clients	
	2022	2021
	HK$'000	*HK$'000*
Financial liabilities		
Gross amount of recognised financial liabilities	**82,109**	30,274
Gross amount of recognised financial assets offset in the consolidated statement of financial position	**–**	(6)
Net amounts of financial liabilities included in the consolidated statement of financial position	**82,109**	30,268
Related amount not set off in the consolidated statement of financial position		
— financial instruments	**–**	–
— financial collaterals	**–**	–
Net amounts	**82,109**	30,268

The table below reconciles the "Net amounts of financial assets and financial liabilities included in the consolidated statement of financial position" as set out above to line items in the consolidated statement of financial position:

	2022	2021
	HK$'000	*HK$'000*
Trade and other receivables and prepayments		
Net amounts of financial assets included in the consolidated statement of financial position	**–**	8
Amount not within the scope of offsetting disclosure	**18,021**	28,577
Trade and other receivables and prepayments presented in the consolidated statement of financial position	**18,021**	28,585
Trade and other payables and accruals		
Net amounts of financial liabilities included in the consolidated statement of financial position	**82,109**	30,268
Amount not within the scope of offsetting disclosure	**17,564**	11,573
Trade and other payables and accruals presented in the consolidated statement of financial position	**99,673**	41,841

38. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of debt, which mainly includes convertible bonds as disclosed in note 27 and total assets of the Group.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issuance of new shares and the addition of new borrowings.

Certain group entities are regulated by the Securities and Futures Commission and are required to comply with the financial resources requirements according to the Securities and Futures (Financial Resources) Rules (the "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 regular 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 the year.

The Group monitors its capital using a gearing ratio, which is total debts divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratio at the reporting dates is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Convertible bonds	**149,388**	140,395
Total debts	**149,388**	140,395
Total non-current assets	**15,979**	27,590
Total current assets	**198,709**	131,317
Total assets	**214,688**	158,907
Gearing ratio	**70%**	88%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 *HK$'000*	2021 *HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	–	2
Right-of-use assets	1,706	4,008
Interests in subsidiaries	3,225	3,225
Long-term deposit	–	806
	4,931	8,041
Current assets		
Other receivables and prepayments	966	371
Amounts due from subsidiaries	24,694	29,823
Cash and cash equivalents	161	1,725
	25,821	31,919
Current liabilities		
Other payables and accruals	9,695	9,909
Amounts due to subsidiaries	4,954	–
Lease liabilities	2,270	2,432
Convertible bonds	149,388	–
	166,307	12,341
Net current (liabilities)/assets	(140,486)	19,578
Non-current liabilities		
Convertible bonds	–	140,395
Lease liabilities	–	2,270
	–	142,665
Net liabilities	(135,555)	(115,046)
EQUITY		
Share capital	38,197	190,985
Reserves *(note)*	(173,752)	(306,031)
Capital deficiency	(135,555)	(115,046)

On behalf of the Board

Zhao Yun *Director*	**Zhou Quan** *Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

	Share premium *HK$'000*	Shareholder's contribution *HK$'000*	Capital redemption reserve *HK$'000*	Convertible bond equity reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2021	320,370	7,834	477	–	–	(631,215)	(302,534)
Issue of convertible bond by the Company	–	–	–	14,808	–	–	14,808
Transactions with owner	–	–	–	14,808	–	–	14,808
Loss for the year	–	–	–	–	–	(18,305)	(18,305)
At 31 December 2021	320,370	7,834	477	14,808	–	(649,520)	(306,031)

	Share premium ***HK$'000***	**Shareholder's contribution** ***HK$'000***	**Capital redemption reserve** ***HK$'000***	**Convertible bond equity reserve** ***HK$'000***	**Contributed surplus** ***HK$'000***	**Accumulated losses** ***HK$'000***	**Total** ***HK$'000***
At 1 January 2022	**320,370**	**7,834**	**477**	**14,808**	**–**	**(649,520)**	**(306,031)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(20,509)**	**(20,509)**
Capital reorganisation *(note 30)*	**–**	**–**	**–**	**–**	**152,788**	**–**	**152,788**
At 31 December 2022	**320,370**	**7,834**	**477**	**14,808**	**152,788**	**(670,029)**	**(173,752)**

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following table lists the particulars of the subsidiaries of the Company as at 31 December 2022 and 2021 which, in the opinion of the directors, principally affected the results or the assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Country/ Place of incorporation or registration	Particulars of issued/ paid-up capital	Proportion of nominal value of issued/ paid-up capital/interests Held by the Company	Held by the subsidiaries	Principal activities and place of operations
Kingwell Management Limited^	Hong Kong	Ordinary shares of HK$1,000,000	100%	–	Provision of administrative services to group entities in Hong Kong
Sheng Yuan Asset Management Limited^	Hong Kong	Ordinary shares of HK$20,000,000	–	100%	Provision of investment management and advisory services in Hong Kong
Sheng Yuan Financial Holdings (HK) Limited^	Hong Kong	Ordinary share of HK$1	–	100%	Proprietary trading in Hong Kong
Sheng Yuan Financial Services Group Limited	British Virgin Islands	Ordinary shares of US$5,500	100%	–	Proprietary trading in Hong Kong
Sheng Yuan Securities Limited^	Hong Kong	Ordinary shares of HK$65,000,000	–	100%	Securities and futures dealing, margin financing, securities placing and underwriting and investment advisory services in Hong Kong
Sheng Yuan Services Limited^	Hong Kong	Ordinary share of HK$1	100%	–	Provision of administrative services to group entities in Hong Kong
Sheng Yuan Sino Asset Management Limited^	Hong Kong	Ordinary shares of HK$10,650,000	–	100%	Provision of investment management and advisory services in Hong Kong

^ audited by BDO Limited

41. EVENT AFTER THE REPORTING DATE

The Company received a notice from Yuanyin Holdings of its intention to exercise the conversion rights in respect of the Convertible Bonds in full in the outstanding aggregate principal amount of HK$150 million on 13 February 2023, subject to the conversion conditions of the terms and conditions of the SYHL Bonds. Further details on conversion disclosed in the public announcement on 13 February 2023.

42. COMPARATIVE FIGURES

Certain comparative figures of the consolidated statement of cash flows had been re-presented in order to conform to current year's presentation.

FINANCIAL SUMMARY

	Year ended 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	34,146	8,844	44,549	43,306	**59,940**
(Loss)/Profit before taxation	(80,324)	(77,565)	14,473	10,358	**(3,681)**
Taxation	(1,330)	201	(2,467)	(5,708)	**(2,121)**
(Loss)/Profit for the year	(81,654)	(77,364)	12,006	4,650	**(5,802)**

	As at 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	149,662	65,299	79,912	158,907	**214,688**
Total liabilities	(135,090)	(128,077)	(130,674)	(190,215)	**(251,844)**
	14,572	(62,778)	(50,762)	(31,308)	**(37,156)**