第一上海

FIRST SHANGHAI GROUP

5 years+ 商界展關懷 caringcompany

Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

First Shanghai Investments Limited

Stock Code: 227

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Corporate Information

BOARD OF DIRECTORS

Chairman
Mr. LO Yuen Yat

Executive Directors
Mr. XIN Shulin
Mr. YEUNG Wai Kin
Ms. LAO Yuanyuan

Non-executive Director
Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*

Independent Non-executive Directors
Prof. WOO Chia-Wei
Mr. LIU Ji
Mr. YU Qihao
Mr. ZHOU Xiaohe

NOMINATION COMMITTEE
Prof. WOO Chia-Wei *(Chairman)*
Mr. LO Yuen Yat
Mr. YU Qihao
Mr. ZHOU Xiaohe

REMUNERATION COMMITTEE
Mr. ZHOU Xiaohe *(Chairman)*
Mr. LO Yuen Yat
Prof. WOO Chia-Wei
Mr. YU Qihao

AUDIT COMMITTEE
Mr. YU Qihao *(Chairman)*
Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*
Prof. WOO Chia-Wei
Mr. LIU Ji
Mr. ZHOU Xiaohe

COMPANY SECRETARY
Mr. YEUNG Wai Kin

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.,
Hong Kong Branch
China CITIC Bank International Limited
China Construction Bank Corporation,
Hong Kong Branch
Dah Sing Bank, Limited
OCBC Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE
Room 1903, Wing On House
71 Des Voeux Road Central
Hong Kong
Telephone: (852) 2522 2101
Fax: (852) 2810 6789
E-mail address: enquiry@firstshanghai.com.hk
Website: www.firstshanghai.com.hk

REGISTRARS & TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE
Stock Code on The Stock Exchange of
Hong Kong Limited: 227

Chairman's Statement

On behalf of the Board, I hereby present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2022.

MARKET OVERVIEW

The global economy was full of uncertainties throughout 2022. Global economic activities were hindered by the heightened geopolitical factors including the outbreak of Russia-Ukraine conflicts and the continuous Sino-US tensions. Influenced by the breakdown of global supply chains and striking energy price, major countries staged a sluggish recovery from the COVID-19 pandemic. In response to the high inflation, the US Federal Reserve accelerated its balance sheet reduction programme and raised its benchmark interest rates seven times in 2022. This had significantly posed a negative impact on the global economy and the performance of most financial markets.

In 2022, the economic and business environment in Chinese Mainland was challenging as it strived to maintain its dynamic zero-COVID status during most periods of the reporting year. Continuous lockdowns, especially in major cities, so as to stamp out outbreaks of the highly transmissible Omicron COVID-19 variant put business activities to a halt. In addition, noting the market worries on industrial credit and liquidity risks and the growing regulatory concerns of the Central Government, the Chinese property sector was hard hit in 2022. The market outlook on the Chinese economy turned with positive momentum after China announced easing of COVID-19 restrictions in November 2022. The economy of Hong Kong in 2022 was seriously affected by the rising interest rates, the fifth wave of COVID-19 infection and the quarantine measures though there were signs of gradual economic recovery since the last quarter of the year with low unemployment rates and gradual recovery of business activities.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in its core businesses, primarily the Financial Services Sector and the Property and Hotel Sector.

In 2022, the cloud of prolonged COVID-19 pandemic restrictions continuously adversely affected most business operations of the Group. For the year ended 31st December 2022, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK$56 million and HK3.55 cents respectively, representing 60% and 63% decrease compared with a net loss and basic losses per share attributable to shareholders of approximately HK$140 million and HK9.61 cents respectively reported from 2021.

It was a rare occurrence of the stock market, bond market and foreign exchange market went down simultaneously in 2022. The stock market fell on uncertainties about the global inflationary pressures and the pace of interest rate hikes by the US Federal Reserve. In addition, investors were filled up with concerns about the impact on lingering geopolitical risks and the economic slowdown in the post COVID-19 pandemic period. In China, investor sentiment was also lifted by alleviated worries over the financial conditions of various Chinese property developers and relaxation of pandemic-related restrictions in Chinese Mainland. The Hong Kong market fell amid the economic contraction in Hong Kong and global market correction, with the HSI down 16% while market turnover declined by around 25%. The performance of our Financial Services Sector was significantly affected by the slowdown of trading activities and investors' growing risk aversion with drastic reduction on business activities and market trading volume while IPO market was nearly frozen. During the reporting period, material reduction in brokerage commission income and margin and IPO loan interest income was reported. Hindered by quarantine measures and delay in large scale capital market activities, results from underwriting and corporate financing finance businesses were unsatisfactory as well.

During 2022, our property and hotel business was inevitably affected by the citywide lockdowns and travel curbs, leading to unsatisfactory performance. In early 2022, during the crucial hit by the widespread Omicron, stringent prevention and control measures and general travel restrictions were implemented in Europe while the historically strictest lockdown measures were imposed to certain major cities in Chinese Mainland. As a results, our hotel businesses in Paris and Wuxi reported pronounced operating loss. Fortunately, co-existence approach with the pandemic has become the mainstream of global practice, and our hotel business has witnessed gradual resumption with lifting of most social and travel restrictions since summer in Paris and late 2022 in Chinese Mainland. On the other hand, following general market concerns on credit and liquidity risk and high stock level of certain large property developers, our property development and investment businesses reported significant reduction in revenue from volume sales and increase in fair value loss on our investment properties.

Our Medical and Healthcare Sector was hard hit by the COVID-19 pandemic, especially during the fifth wave of the infection. Prolonged unsatisfactory operating result over the past few years and the proposed increase in rental by the landlord of our medical centre has exerted much pressure on the cash flow position and performance of the Group. After careful consideration under the difficult operating environment, the management has come up with the difficult decision to terminate the operation of the medical centre in April 2022 and sold most of the medical equipment so as to focus the Group's resources on profitable business segments. Thereafter, the Group will maintain the investment in a child dental centre as a long term investment to provide dental care services to the public.

PROSPECTS

Looking ahead, with reopening of the borders, we can see some positive momentum to the economic recovery. Major economies worldwide witnessed return to pre-COVID-19 pandemic level in terms of economic activities, and disruption on global supply chain is anticipated to be eased gradually. So the global economy is projected to see an upward trend. However, prospects remain uncertain with the unsolved Russia-Ukraine conflicts and the Sino-US tensions. Inflationary pressure, the pace of interest rate hikes by the US Federal Reserve and worries on declining corporate earnings are expected to continue to hinder the financial market. In Chinese Mainland, we expect looser monetary policy and stronger fiscal stimulus measures will be imposed in the post-COVID period. Despite of these, the Central Government continues to intensify its efforts to stabilize local macroeconomic growth, and to implement proactive fiscal policy and flexible monetary policy. We are cautiously confident for gradual improvement to the current market situation and business environment.

Financial market will continue to be volatile due to the pandemic, geopolitical uncertainties and the intensifying inflation and gradual interest rate hikes. We will maintain a cautious and proactive approach regarding the risk and credit control of our operation and business development. Of particular note to the wave of digital transformation across various business operations during the pandemic period, we expect the trend will continue in future. Moving forward, the Group will persist to play an active role to drive the digitalization and automation process of our financial services to further enhance our customer experience and operating efficiency. We shall also pursue to widen our product scope and customer base to cope with market demands and continue to actively reinforce market knowledge and listen to the needs of our customers so as to seize business opportunity in a timely manner under the rapidly changing environment.

It is undeniable that the global economy will continue to face its challenges due to the high interest rate environment after the COVID-19 pandemic and the geopolitical tensions. Looking forward, we will stay vigilant of the uncertainties on the road to recovery ahead with disciplined cost control and prudent risk management measures. The Group will further continue to adopt diversified strategies so as to grasp all valuable business opportunities for the Group to advance its business model and to grow in the coming years.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my greatest appreciation on behalf of the Board to all our customers and shareholders for their invaluable support. I would also like to express my heartfelt gratitude to our fellow directors and our employees for their dedication and commitment to the Group especially in times of difficulties over the past years.

LO Yuen Yat
Chairman

Hong Kong, 24th March 2023

Management Discussion and Analysis

FINANCIAL REVIEW

Overview

For the year ended 31st December 2022, the Group recorded a net loss attributable to shareholders of approximately HK$56 million, representing a decrease of 60% as compared to a net loss attributable to shareholders of approximately HK$140 million recorded last year. The significant drops on the Group's net loss in 2022 was mainly attributable to (a) the recognition of an accounting gain on disposal of fixed assets of the medical and healthcare business, (b) the reduction of operation loss from the medical and healthcare business after its closure in April 2022, and (c) no further material provision was required regarding the litigation for settlement of construction costs of the property development project in Wuxi. However, these impacts were partially offset by the decrease in brokerage income and margin loan interest income from Financial Services Sector due to the significant pare down in trading activities, especially during the fifth wave of COVID-19 infection. The Group's performance was also affected by the recognition of fair value losses on investment properties held in Wuxi and Huangshan, tracking to the general negative market outlook for future sales and rental return of these properties. The basic losses per share attributable to shareholders was HK3.55 cents (2021: HK9.61 cents). Revenue of the Group was approximately HK$342 million, with a decrease of 35% as compared to 2021, attributable to the decline of revenue from securities brokerage income, margin loan interest income, medical and healthcare business and sales of properties. Total net assets of the Group dropped by 7% from approximately HK$2,559 million in 2021 to approximately HK$2,380 million in 2022.

Financial Services

The Group's Financial Services Sector provides a full range of financial services including securities investment, securities broking, margin financing, corporate finance, underwriting and placements, asset management and wealth management. In 2022, operating profit reported from our Financial Services Sector decreased significantly by 70% as compared with 2021. This was mainly attributable to the decline in brokerage income and margin and IPO loan interest income.

The performance of the securities market in 2022 was affected by various adverse factors, including rising interest rates and disruptions in the real economy driven by geopolitics and the COVID-19 pandemic. Hang Seng Index reached the year's record high of 25,050 in February 2022, and closed at 19,781 at the year end, representing a decline by 16% as compared to last year. During the reporting year, average daily market turnover decreased by 25% from approximately HK$167 billion in 2021 to approximately HK$125 billion in 2022. On the other hand, market competition has intensified during the year with aggressive promotion campaigns launched by some brokers. Our brokerage business reported a decrease in commission income by 46% and drop in IPO and margin loan interest income by 29%.

The continued market fragility and a rising interest rate environment has adversely affected the IPO market. The progress of due diligence of corporate finance projects was affected by the quarantine measures between Hong Kong and the Chinese Mainland. In 2022, our corporate finance team had completed eleven financial advisory cases. In addition, one IPO case was under processing. Income from advisory services decreased by 63% as compared with 2021 in line with the slowdown of capital market.

Property and Hotel

The Group's Property and Hotel Sector primarily includes property development, property investment, property management, hotel and golf operation. The existing property projects include residential, service apartment, commercial office, industrial office, hotel and recreation resort. The operating loss from Property and Hotel Sector was HK$77 million in 2022, reduced by 14% from 2021. No further material provision was required in 2022 regarding the litigation for settlement of construction costs of the property development project in Wuxi. However, this positive impact was partially offset by the increase in fair value losses on investment properties held in Wuxi and Huangshan and the drop in sales of properties.

As at 31st December 2022, the Group had five property investment and development projects with total GFA as summarised below:

Location	Product nature	Expected completion date (Year)	% of interest attributable to the Group	Total GFA (sq.m.)	Accumulated area sold (sq.m.)
Elite Place, No. 588 Chuangye Road, Kunshan Development Area, Kunshan, Suzhou City, Jiangsu Province, PRC*	Residential	Completed	70%	55,000	47,000
First Shanghai Plaza, No.19 Gaolang Road, Wuxi New District, Wuxi City, Jiangsu Province, PRC*	Hotel, commercial and apartment	Completed	100%	95,000	21,000
Singapore International Park, No.89 Xingchuang Fourth Road, Wuxi New District, Wuxi City, Jiangsu Province, PRC*	Office and industrial				
– Phase I		Completed	70%	38,000	21,000
– Phase II		Completed	70%	31,000	–
– Phase III		Completed	70%	35,000	–
Fenghuang Road Huangshan District, Huangshan, Anhui, PRC	Residential and recreation resort				
– Phase A		Completed	100%	12,000	10,000
– Phase B		Completed	100%	23,000	21,000
– Phase E		Completed	100%	6,000	–
– Phase C and D		2023	100%	66,000	–
Section E 589 & Section E 628, Commune de Presles, L'Isle Adam, France	Hotel and recreation resort	Completed	100%	6,000	–
Total				367,000	120,000

* *Certain properties in these locations were held for investment purposes. All of them were located outside Hong Kong and held on a medium term lease.*

During 2022, revenue from sale of properties dropped by 79% as compared to 2021, mainly attributable to reduction on overall property sales volume due to poor market sentiment. In the coming year, we will continue to focus on completion of the existing development projects and the sales of properties in Wuxi and Huangshan.

Our property investment and management business is one of the generators of steady income to the Group. Its revenue maintained at similar level as with last year. During 2022, investment properties held by the Group reported a net fair value loss of approximately HK$31 million, representing an increase by 54% when compared with 2021. The said fair value loss was mainly caused by the adverse market sentiment which has affected the expected sales or rental return from the property projects.

Hotel and golf operation reported a slight increase in revenue by 8% in 2022 as compared to 2021. After easing of infection control measures in France, the hotel and golf business in Paris recovered gradually following the resumption of economic activities.

Other Businesses

The Group's Other Businesses Sector includes medical and healthcare business and direct investment. The operating loss from Other Businesses Sector was HK$16 million in 2022, declined by 75% from 2021. The improvement was mainly attributable to the recognition of an accounting gain on disposal of fixed assets of the medical and healthcare business.

The Group had terminated the medical and healthcare business and closed the medical centre in Central in April 2022. During 2022, revenue and operation loss of the medical centre dropped by 79% and 78% respectively as compared to 2021.

Other direct investments reported only minor operating loss in 2022. There was no new direct investment project in 2022 as the Group has focused its resources in the financial services business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group relies principally on its internal financial resources to fund its operations and investment activities. Bank and other loans will be raised to meet the different demands of our property projects, as well as margin financing and direct investment business. As at 31st December 2022, the Group had raised bank and other loans of approximately HK$237 million (2021: HK$311 million) and held approximately HK$253 million (2021: HK$340 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) decreased to 10.0% (2021: 12.2%).

During the reporting year, the Group completed an open offer for the issue of 13,716,014 new shares at the subscription price of HK$0.21 per share. As at 31st December 2022, the total number of issued ordinary shares was 1,564,771,361 shares (31st December 2021: 1,551,055,347 shares).

The Group's licensed subsidiaries are subject to various statutory capital requirements in accordance with the Securities and Futures (Financial Resources) Rules (Cap. 571N) and the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap.41 Sub. Leg. L). During the financial year ended 31st December 2022, all licensed corporations within the Group had complied with their respective requirements.

The Group's principal operations are transacted and recorded in Hong Kong dollars, Renminbi and EURO. The Group has no significant exposure to other foreign exchange fluctuations. The Group has not used any derivatives to hedge its exposure to foreign exchange risk.

MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group had no material acquisitions, disposals and significant investments.

CHARGES OF GROUP ASSETS

The Group has pledged properties, investment properties, leasehold land and land use rights and properties held for sale with an aggregate net carrying value of approximately HK$579 million (2021: HK$649 million) and fixed deposits of approximately HK$15 million (2021: HK$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK$202 million (2021: HK$228 million) had been utilised.

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in China. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks, whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

As at 31st December 2022, total contingent liabilities amounted to approximately HK$9 million (2021: HK$2 million).

HUMAN RESOURCES

The objectives of the Group's human resources management is to reward and recognise performing staff through a competitive remuneration package and a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include discretionary bonus, medical schemes, defined contribution provident fund schemes and employee share option scheme. Staff are enrolled in external and internal training courses or seminars in order to update their professional knowledge and technical skills so as to increase their awareness of market development and business trend. As at 31st December 2022, the Group employed 566 staff, of whom 351 are based in Chinese Mainland. The staff costs of the Group for the year ended 31st December 2022 amounted to approximately HK$209 million (2021: HK$258 million).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LO Yuen Yat (77). Appointed as Managing Director of the Company in 1993. Mr. Lo joined the Company in 1993 and is currently the Chairman of the Company. Previously, Mr. Lo was the senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the State Science & Technology Commission, Ministry of Communications and Railway Ministry of the PRC. Mr. Lo graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. XIN Shulin (69). Appointed as Director of the Company in 1998. Mr. Xin joined First Shanghai Investments Limited in 1994 as Executive Vice President in charge of direct investment and property development business including luxury hotel and full service hospital. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver, USA in 1992.

Mr. YEUNG Wai Kin (61). Appointed as Director of the Company in 1998. Mr. Yeung is also Chief Financial Officer and Company Secretary of the Company. He joined the Company in 1993 and has over 30 years experience in auditing, finance and management positions. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

Ms. LAO Yuanyuan (44). Appointed as Director of the Company in 2021. Ms. Lao was an executive director of the China Assets (Holdings) Limited ("China Assets") from 2005 to 2015 and was re-designated as a non-executive director from 2016 to 2017. China Assets was a company listed in Hong Kong during the relevant period. Ms. Lao is presently a vice-president of business development of Crimson Pharmaceutical (Hong Kong) Limited ("Crimson"). Prior to joining Crimson, Ms. Lao worked in the investment banking division at Merrill Lynch & Co in New York City. Ms. Lao graduated magna cum laude from Columbia University, USA, where she studied Engineering Management Systems. Ms. Lao is the daughter of Mr. Lo Yuen Yat, the Chairman and executive director of the Company.

NON-EXECUTIVE DIRECTOR

Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.* (67). Appointed as Independent Non-executive Director of the Company in 1994 and has been re-designated to Non-executive Director of the Company in 2005. Mr. Kwok is a practising solicitor in Hong Kong and is qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a certified public accountant in Hong Kong and Australia and a Chartered Accountant in England and Wales. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He also obtained the Advanced Management Program Diploma from the Harvard Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor WOO Chia-Wei (85). Appointed as Independent Non-executive Director of the Company in 1993. Prof. Woo is currently Senior Advisor to Shui On Holdings Limited, and President Emeritus of the Hong Kong University of Science and Technology. Previously he was President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of Shanghai Industrial Holdings Limited.

Mr. LIU Ji (87). Appointed as Independent Non-executive Director of the Company in 2004. Mr. Liu is the Honorary President of China Europe International Business School in Shanghai. He served as Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing. Mr. Liu is also an independent director of O2micro International Limited, a NASDAQ-listed company.

Mr. YU Qihao (76). Appointed as Independent Non-Executive Director of the Company in 2005. He graduated from Shanghai University of Finance and Economics. From 1981 to 1991, Mr. Yu worked as a certified public accountant in an accounting firm in Shanghai. From 1992 to 1998, he acted as the assistant president of Shanghai Industrial Investment (Holdings) Company Limited. Mr. Yu also worked as an executive director from 1995 to 1997 and a non-executive director from 1997 to 1998 of Shenyin Wanguo (H.K.) Limited. During the period from 2001 to 2006, Mr Yu was an advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai.

Mr. ZHOU Xiaohe (70). Appointed as Independent Non-executive Director of the Company in 2007. Mr. Zhou has extensive experience in investment and financing industries. He was educated in China and graduated from the Beijing Industrial University major in Computer Automation. Mr. Zhou was a non-executive director of the Company from 18th May 1995 to 16th June 1998.

SENIOR MANAGEMENT

Mr. QIU Hong (53). Joined the Group in 2000 and is currently the Chief Executive Officer of First Shanghai Financial Holding Limited. Mr. Qiu is responsible for the management and business development of the Group's financial service business. Prior to joining the Group, Mr. Qiu had worked for an international audit and consulting company and was responsible for the audit, strategic planning and corporate financing activities. With extensive experience and expertise in financial industry, Mr. Qiu is specializing in corporate financing, stockbrokerage and investment in Hong Kong and Chinese Mainland. Mr. Qiu holds a Bachelor's Degree in Economics from the Zhong Shan University and a Master of Philosophy (Economics) degree from the Chinese University of Hong Kong.

Report of the Directors

The Board submits herewith their report together with the audited consolidated financial statements for the year ended 31st December 2022.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in Note 18 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating and geographical segments is set out in Note 4 to the consolidated financial statements.

RESULTS

The results for the year are set out in the consolidated income statement on page 35.

DIVIDEND

The Board does not recommend the payment of a final dividend (2021: Nil) for the year ended 31st December 2022.

SHARE CAPITAL

Details of the movements in share capital of the Company for the year ended 31st December 2022 are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2022, calculated pursuant to Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$137,426,000 (2021: HK$330,281,000).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$54,000 (2021: HK$50,000).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31st December 2022.

DIRECTORS

(a) Directors of the Company

The directors of the Company who held office during the year and up to the date of this report were:

	Mr. LO Yuen Yat
	Mr. XIN Shulin
	Mr. YEUNG Wai Kin
	Ms. LAO Yuanyuan
*	Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*
**	Prof. WOO Chia-Wei
**	Mr. LIU Ji
**	Mr. YU Qihao
**	Mr. ZHOU Xiaohe

* *Mr. KWOK Lam Kwong, Larry, S.B.S., J.P. is a non-executive director of the Company.*

** *Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe are independent non-executive directors of the Company.*

Mr. LO Yuen Yat, Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.* and Mr. LIU Ji retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiaries

During the year and up to the date of the report, Mr. LO Yuen Yat, Mr. XIN Shulin, Mr. YEUNG Wai Kin and Ms. LAO Yuanyuan were also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report included: Cao Yanlan, Chen Peili, Cheng Chi Kwong (resigned on 9th December 2022), Ching Siu Fai, Cui Xiao Wen (resigned on 11th March 2022), Cui Yi Zheng, Feng Zhemin, Frederique Duculot, Guan Yuqiang, Hai Alvin, Hao Yaxin, Kwan Man Kit, Lai Ho Yin, Lao Li, Lee Lai Ching, Lee Man Piu, Li Yanping, Liu Xiaoming, Lo Kwok Loong (resigned on 21st October 2022), Loris Rodriguez, Mo Siu Lun (resigned on 30th April 2022), Peng Tong, Qi Xia, Qiu Hong, Qu Kevin, So Chi Chiu, Teo Ban Seng, Tsang Lai San, Wan Ching Man, Wang Jiaxin, Wang liang, Wu Jie, Xu Zhanzhao, Yang Erguan and Zhu Guoliang.

DIRECTORS' SERVICE CONTRACTS

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in Note 35 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

The Company has arranged insurance for its directors to cover their liabilities in respect of legal actions against them arising from corporate activities. The permitted indemnity provision is in force for the benefit of the directors as required by section 470 of the Hong Kong Companies Ordinance (Cap. 622) when the Report of the Directors is approved in accordance with section 391(1)(a) of the Hong Kong Companies Ordinance (Cap. 622).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31st December 2022, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:

Interests in respect of the Company:

Directors		Number of shares and underlying shares held			% of issued share capital of the Company
		Personal interests	Corporate interests	Total	
Mr. LO Yuen Yat *(Note)*	Long position	115,217,218	413,419,763	528,636,981	33.78%
Mr. YEUNG Wai Kin	Long position	15,541,924	–	15,541,924	0.99%
Mr. ZHOU Xiaohe	Long position	160,000	–	160,000	0.01%

Note: 85,138,236 shares, 328,029,445 shares and 252,082 shares are held by Kinmoss Enterprises Limited ("Kinmoss"), China Assets (Holdings) Limited ("CAHL") and New Synergies Investments Company Limited ("New Synergies") respectively. Kinmoss is a company wholly owned by Mr. LO Yuen Yat. CAHL is a company 40% indirectly owned by Mr. LO Yuen Yat through New Synergies and New Synergies is a company with 40% equity interests directly owned by Mr. LO Yuen Yat.

Save as disclosed above, as at 31st December 2022, none of the directors and chief executives (including their spouse and children under 18 years of age) had any interest in shares, underlying shares and debentures of the Company, its specified undertaking and its other associated corporation required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2022, the Company had been notified of the following substantial shareholder's interests, holding 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares in the Company:

		Personal interests	Family interests	Other interests	Total	% of issued share capital of the Company
Ms. CHAN Chiu, Joy ("Ms. Chan") *(Note)*	Long position	61,576,000	12,432,000	63,640,000	137,648,000	8.80%
Mr. YIN Jian, Alexander ("Mr. Yin") *(Note)*	Long position	12,432,000	61,576,000	63,640,000	137,648,000	8.80%

Note: 63,640,000 shares are held by The Golden Bridge Settlement, a trust with Ms. Chan and Mr. Yin as beneficiaries.

SHARE OPTIONS

On 23rd May 2014, the shareholders of the Company approved a share option scheme (the "Scheme"). No share options were granted under the Scheme during the year. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under the Scheme does not in aggregate exceed 10% of the shares in issue on the date of approval of the Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme does not exceed 30% of the shares in issue from time to time.

As at 31st December 2022, options to subscribe for a total of 139,891,301 ordinary shares were subject to be granted under the Scheme which represents approximately 9% of the issued ordinary shares of the Company.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

The consideration for the grant of options is HK$1.00. The Scheme participant is entitled to subscribe for shares during such period as may be determined by the directors (which shall be less than 10 years from the date of the grant of the relevant option and commences not less than six months after the date of grant) at the price to be determined by the Board but not less than the highest of the average of the official closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date on which the option is granted and the official closing price of the shares on the Stock Exchange on the date of grant.

No share options were granted, exercised, lapsed or outstanding under the Scheme during the year ended 31st December 2022.

The accounting policy adopted for share options is consistent with that as described in the consolidated financial statements for the year ended 31st December 2022.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are both less than 30% for 2022 and 2021.

CONNECTED TRANSACTION

The Company did not have any connected transactions which need to be disclosed during the year ended 31st December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

BUSINESS REVIEW

Further discussion and analysis of the Group's business as required by Schedule 5 to the Hong Kong Companies Ordinance, including (a) a fair review of the Group's business; (b) a description of the principal risks and uncertainties facing the Group; (c) particulars of important events affecting the Group that have occurred since the end of the financial year; and (d) an indication of likely future development in the Group's business, please refer to "Management Discussion and Analysis" and "Corporate Governance Report" sections of this Annual Report. The above sections form part of this report. In accordance with Rule 13.91 of and Appendix 27 to the Listing Rules, the Group's "Environmental, Social and Governance Report" is available on its website at the same date as the publication of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

The summary of assets, liabilities and results of the Group for the last five financial years is as follows:

	2022 **HK$'000**	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**342,183**	529,850	457,988	533,529	473,726
(Loss)/profit attributable to					
– shareholders	**(55,501)**	(139,899)	(90,331)	10,618	33,403
– non-controlling interests	**(3,343)**	(9,099)	(493)	4,967	3,353
(Losses)/Earnings per share					
– basic	**(3.55) cents**	(9.61) cents	(6.37) cents	0.75 cents	2.35 cents
– fully diluted	**(3.55) cents**	(9.61) cents	(6.37) cents	0.75 cents	2.35 cents
Total current assets	**4,580,523**	5,559,444	4,814,869	4,181,863	5,138,904
Total assets	**5,900,751**	7,112,874	6,740,394	6,007,755	6,863,028
Total current liabilities	**3,362,043**	4,357,863	3,591,338	2,784,694	3,841,057
Total liabilities	**3,520,738**	4,554,083	4,052,766	3,296,488	4,087,870
Total equity	**2,380,013**	2,558,791	2,687,628	2,711,267	2,775,158
Gearing ratio	**10.0%**	12.2%	11.5%	13.9%	9.7%

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

LO Yuen Yat
Chairman

Hong Kong, 24th March 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to adhere to a high standard of corporate governance to safeguard the interest of its stakeholders. The Company has adopted its code on corporate governance (the "Code") which sets out the corporate standards and practices used by the Company in directing and managing its business affairs. The Code was prepared with reference to the latest code provisions and recommended best practices as stipulated in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Code not only formalizes the Company's existing corporate governance principles and practices, but also serves to assimilate practices with benchmarks prescribed by the Stock Exchange, ultimately ensuring that the Company runs a highly transparent operation and is accountable to its shareholders. In addition to abiding strictly by the laws and regulations of Hong Kong and observing the rules and guidelines issued by the relevant regulatory authorities, the Company will also regularly review its corporate governance practices, with a view to conforming to international and local best practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31st December 2022, except for the deviation from code provision C.2.1 of the CG code in respect of segregation of the roles of chairman and chief executive officer and the disclosure requirement according to code provision B.2.4 of the CG code. Such deviations will be discussed in the relevant sections of this report in more details. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

Role and responsibility of the Board

The Board is responsible for overall leadership, strategic development and risks and controls assessment of the Group. The Board is also responsible to ensure good corporate governance is in place with the Group. The Board works to promote the success of the Group by providing direction and approval in relation to matters concerning the Company's business strategies and policies and monitoring the overall performance of the management. Day-to-day management and operation of the Group is delegated to the executive directors and the senior management of operation units who is required to report to the Board on regular basis.

Members of the Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. In discharging its corporate accountability, every director is required to pursue excellence in the interests of the shareholders of the Company and fulfill his fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

The schedule of Board meetings for a year is planned in the preceding year. The Board meets regularly throughout the year. During the reporting year, there were four Board meetings held to discuss the overall strategy as well as the operation and financial performance of the Group.

Board composition

The Board comprises of four executive directors and five non-executive directors. Out of the five non-executive directors, four of them are independent non-executive directors that represent more than one-third of the Board. In addition, two of the non-executive directors possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board, except for Mr. Lo Yuen Yat is the father of Ms. Lao Yuanyuan.

As of today, the Board of the Company comprises:

Executive Directors:	Mr. LO Yuen Yat *(Chairman)* Mr. XIN Shulin Mr. YEUNG Wai Kin Ms. LAO Yuanyuan
Non-executive Director:	Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*
Independent Non-executive Directors:	Prof. WOO Chia-Wei Mr. LIU Ji Mr. YU Qihao Mr. ZHOU Xiaohe

Chairman and chief executive officer

The Chairman and chief executive officer of the Company is Mr. LO Yuen Yat. This deviates from code provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board believes that vesting the role of both positions in Mr. Lo provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

Non-executive directors

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at annual general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

The non-executive directors serve an important function of ensuring and monitoring the basis for an effective corporate governance framework. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The Board considers that each independent non-executive director is independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

According to code provision B.2.4 of the CG Code, where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should, among others, disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting. The Company failed to disclose in its circular dated 25th April 2022 (the "Circular") the length of tenure of each existing independent non-executive director, except for those being proposed for re-election during the annual general meeting of the Company dated 27th May 2022. The Company then published a supplemental announcement to the Circular on 29th April 2022 to fulfil the relevant disclosure requirement.

Board diversity policy

The Board has adopted a board diversity policy, under which the Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. As at the date of this annual report, the Board consists of one female and eight male Directors. All Board members' appointments will be based on appropriate balance of skills, experience and diversity of perspectives, and candidates will be considered against objective criteria, having due regard for the merit and contribution to the Board. The Company is committed to improving the diversity of the Board based on its needs and as and when suitable candidates are identified.

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. As at 31 December 2022, the percentage of male to female in the workforce of the Group including senior management is approximately 53%:47%. The Board considers that the gender diversity in workforce is currently achieved.

Appointment and re-election of directors

In accordance with the Company's Articles of Association, at each annual general meeting, one-third of the directors of the Board for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that each director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election.

Continuous professional development of directors

The Company acknowledges the importance of directors' participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Directors' training is an ongoing process. Internal or external briefings and seminars are arranged from time to time for all directors to participate. The Company will arrange and sponsor suitable training for its directors as required. In addition, the directors are briefed, from time to time, on the amendments or updates on the relevant laws, rules and regulations, to ensure compliance and enhance their awareness of good corporate governance practices. While newly appointed director is provided with necessary induction and information to ensure that he/she is sufficiently aware of his/her responsibilities under the relevant statutes, laws, rules and regulations.

According to the records obtained by the Company, a summary of training received by the directors during the reporting year is as follows:

Name of directors	**Types of continuous professional development**
Mr. LO Yuen Yat	A, B
Mr. XIN Shulin	A, B
Mr. YEUNG Wai Kin	A, B
Ms. LAO Yuanyuan	B
Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*	A, B
Prof. WOO Chia-Wei	A, B
Mr. LIU Ji	A, B
Mr. YU Qihao	B
Mr. ZHOU Xiaohe	B

Notes:

A – attending briefing sessions and/or seminars

B – reading seminar materials, journals and/or updates relating to the economy, general business and latest development of applicable regulatory requirements

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the reporting year.

Disclosure for remuneration of directors and senior management

Details of the remuneration of directors and senior management for the year ended 31st December 2022 are set out in Note 12 to the consolidated financial statements.

BOARD COMMITTEES

The Board has established three specialised committees (the "Board Committees") namely the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") to assist in carrying out and discharging duties and responsibilities efficiently and effectively. The Board Committees function within clearly defined terms of reference which are reviewed from time to time. The structure and effectiveness of each Board Committee is also constantly reviewed by the Board.

Nomination Committee

The Nomination Committee was established on 1st March 2012, with written terms of reference adopted upon its establishment. The majority of the Nomination Committee members are independent non-executive directors and its members include:

Executive Director:	Mr. LO Yuen Yat
Independent Non-executive Directors:	Prof. WOO Chia-Wei *(Committee Chairman)* Mr. YU Qihao Mr. ZHOU Xiaohe

The Nomination Committee was set up to assist the Board to review the structure, size, composition and diversity of the Board, identify individuals and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors.

During the reporting year, one meeting was held to review the structure, size, composition (including the perspectives, knowledge and experience) and diversity of the Board. The Nomination Committee has also obtained the annual confirmation of independence submitted by the independent non-executive directors and has assessed their independence with satisfactory results.

Remuneration Committee

The Remuneration Committee was established on 30th June 2005, with written terms of reference adopted upon its establishment. The majority of the Remuneration Committee members are independent non-executive directors and its members include:

Executive Director:	Mr. LO Yuen Yat
Independent Non-executive Directors:	Mr. ZHOU Xiaohe *(Committee Chairman)* Prof. WOO Chia-Wei Mr. YU Qihao

The Remuneration Committee was set up to assist the Board to establish a coherent remuneration policy and to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

During the reporting year, one meeting was held to discuss the remuneration policies and approve the remuneration packages of individual director and senior management of the Company.

Audit Committee

The Audit Committee was established on 27th December 1998, with written terms of reference updated and adopted on 26th August 2016. All members of the Audit Committee are non-executive directors and its members include:

Independent Non-executive Directors:	Mr. YU Qihao *(Committee Chairman)* Prof. WOO Chia-Wei Mr. LIU Ji Mr. ZHOU Xiaohe
Non-executive Director:	Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*

Each member of the Audit Committee has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee was set up to ensure proper financial reporting, risk management and internal control systems are in place and follow. The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, and to oversee the effectiveness and objectivity of the systems of risk management and internal controls, and the audit process.

During the reporting year, there were four meetings held. The Audit Committee has reviewed the annual and interim consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee met with the Company's external auditor during each of the committee meeting held in 2022 to liaise the Group's financial reporting and material financial matters.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board acknowledges its responsibilities for preparing the financial statements of the Group and is responsible to ensure that the preparation of the financial statements of the Group is in accordance with the statutory requirements and applicable accounting standards. The Board believes that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and ensured the financial statements of the Group are prepared on a "going concern" basis.

Responsibility of external auditors

The responsibilities of the external auditors with respect to financial reporting and auditing are set out in the Independent Auditor's Report attached to this annual report.

Remuneration of external auditor

Details of the remuneration of the Company's external auditor, PricewaterhouseCoopers, for the year ended 31st December 2022 is set out in Note 6 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted the dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and needs for future growth as well as its shareholder value in the long-run. The amount of dividends (if any) that may be declared and distributed to the shareholders of the Company is subject to the discretion of the Board, the constitution of the Company and all applicable laws and regulations and other factors. The Board shall also take into account various factors of the Group when considering the declaration and payment of dividends. The Board will review the dividend policy as appropriate from time to time.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control system and reviewing their effectiveness. It formulates the Group's risk management strategies and defines the overall risk management and internal control management structure with clear lines of responsibility and limit of authority. Assisted by the Audit Committee, it is responsible to review and assess the risk management and internal control policy and process of the Group to ensure it is appropriate and effective on an ongoing basis.

Risk management and internal control system is designed to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, accounting records are maintained in accordance with relevant accounting standards and regulatory requirements, and significant risks which may impact the Group's performance are managed. The system is designed to manage rather than eliminate risks of failure in operational systems and fulfillment of business objectives, and can only provide reasonable, but not absolute assurance against material misstatement or loss.

The Group has established organized structure with defined levels of responsibility and reporting procedures on risk management system. A risk committee (the "Risk Committee") was set up in 2016, consists of executive directors of the Company and senior management from major operating units with formalized terms of reference adopted. The Risk Committee shall meet regularly to oversee the design, implementation, monitoring and evaluation of the risk management framework and shall report effectiveness of the system and assessment results to the Audit Committee at least annually.

Risk management process includes risk identification, risk evaluation, risk management measures and risk control and review. The senior management of operating units, as owner of individual risk and is accountable for identifying and assessing key risks. The senior management of operating units should establish risk mitigation strategies, carry out risk management activities and monitor the day-to-day operations to ensure mitigations are implemented with good practices and guidelines established by the Group. The results of risk assessment are recorded and reported to the Risk Committee from time to time.

During the reporting year, senior management of operating units analyzed the control environment, identified significant risks during operation and evaluated the related mitigation measures. They have reported the risk assessment results to the Risk Committee who has discussed with relevant senior management and performed high level assessment on the effectiveness of the Group's risk management system. The Audit Committee has reviewed the overall risk assessment report presented by the Risk Committee to ensure the risk management system is effective and adequate.

During the reporting year, the Group has also engaged an external advisor to conduct reviews on the effectiveness of internal control system of the Group to enhance the overall management. The Audit Committee has reviewed the report and considered the internal control system of the Group to be effective and adequately resourced and that the Group has adopted necessary control mechanisms in respect of its operational, financial, statutory compliance and risk management functions.

MEETINGS AND ATTENDANCE

The Board/Board Committees meet regularly throughout the year. Notice of at least 14 days have been given to all directors for all regular Board/Board Committee meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying meeting papers in respect of regular Board/Board Committee meetings are sent out to all directors within reasonable time before the relevant meeting. Draft minutes of Board/Board Committee meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of Board/Board Committee meetings are kept by the Company Secretary. All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with meeting papers and related materials and ensuring that Board procedures are followed. Where queries are raised by directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board/Board Committees meetings.

During the reporting year, the individual attendance of each director at the Board meetings, the Board Committee meetings and the Company's annual general meeting (the "AGM") is set out below:

Name of director	Board meetings	Nomination Committee meeting	Remuneration Committee meeting	Audit Committee meetings	AGM
No. of meetings held during 2022	4	1	1	4	1
Mr. LO Yuen Yat	4	1	1	n/a	1
Mr. XIN Shulin	3	n/a	n/a	n/a	1
Mr. YEUNG Wai Kin	4	n/a	n/a	n/a	1
Ms. LAO Yuanyuan	4	n/a	n/a	n/a	1
Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*	4	n/a	n/a	4	1
Prof. WOO Chia-Wei	4	1	1	4	1
Mr. LIU Ji	4	n/a	n/a	4	1
Mr. YU Qihao	4	1	1	4	1
Mr. ZHOU Xiaohe	3	1	1	3	1

Mr. YEUNG Wai Kin attended all the Board/Board Committee meetings in 2022 in the capacity of Company Secretary of the Company.

COMPANY SECRETARY

Mr. YEUNG Wai Kin has been appointed as Company Secretary of the Company since 1995. He plays an important role in supporting the Board/Board Committees by facilitating efficient flow of information within the Board/Board Committees, ensuring board procedures are followed, and advising the Board on corporate governance matters. Following specific enquiry by the Company, he has complied with the requirements as stipulated in Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHT

Corporate communication policy

The Company recognises the importance of effective and proper communications with its shareholders and investors. A policy setting out the principles of the Company in relation to the shareholders' communications, with the objectives of ensuring a fair, transparent and timely communication with shareholders has been established and published on the website of the Company.

Information disclosure

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules and has established the inside information/price sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

General meetings with shareholders

The Company's annual general meeting provides a useful platform for direct communication between the Board and shareholders of the Company. The Company ensures that shareholders' views are communicated to the Board. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered. The AGM was held on 27th May 2022. The Company's external auditor and all directors (including the Chairman of the Company and the chairmen (or other nominated committee member) of the audit, remuneration and nomination committees) have attended the AGM to answer questions from shareholders.

Shareholders' right

(A) Convening of extraordinary general meeting on requisition by shareholders

Shareholder(s) holding not less than five percent of the total voting rights of all the members having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The requisition, either in hard copy form or in electronic form, must state the general nature of the business to be dealt with at the meeting and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company or email to enquiry@firstshanghai.com.hk for the attention of the Company Secretary. The requisition may include the text of a resolution that may properly be moved and is intended to be moved at the EGM. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days from the date of receipt of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of three months from the said date. The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Any reasonable expenses incurred by the shareholder(s) concerned by reason of the failure of the directors duly to convene an EGM must be reimbursed by the Company.

(B) Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary. The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

(C) Procedures for putting forward proposals at general meetings by shareholders

Shareholders may request the Company to include a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing not less than 2.5 percent of the total voting rights of all shareholders having at the date of the requisition a right to vote at an AGM to which the requisition relates, or not less than 50 shareholders holding shares in the Company, may submit a requisition in hard copy form or electronic form to put forward a resolution which may properly be moved and is intended to be moved at an AGM.

(ii) The Company shall not be bound by the Hong Kong Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless (a) a copy of the requisition signed by the shareholders concerned (or two or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company or email to enquiry@firstshanghai.com.hk for the attention of the Company Secretary not less than six weeks before an AGM in the case of a requisition requiring notice of a resolution and not less than one week before an AGM in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

(iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

(D) Procedures for proposing a person for election as a director

As regards the procedure for proposing a person for election as a director, please refer to the procedures made available under the "Corporate Governance" section, "Shareholders Information" sub-section ("Procedures for Shareholders to Propose a Person for Election as Director") of the website of the Company.

CONSTITUTIONAL DOCUMENTS

During the reporting year, there were no changes in any of the Company's constitutional documents. The latest version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

羅兵咸永道

TO THE MEMBERS OF FIRST SHANGHAI INVESTMENTS LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of First Shanghai Investments Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 35 to 110, comprising:

- the consolidated balance sheet as at 31st December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Impairment of margin loans receivable
- Impairment of properties under development and held for sale

Key Audit Matter	How our audit addressed to Key Audit Matter
Impairment of margin loans receivable Refer to Notes 3(c) and 20 to the consolidated financial statements. As at 31st December 2022, margin loans receivable amounted to HK$1,072.7 million. These margin loans to third parties are bearing interest at commercial rates, secured by the underlying pledged listed securities and are repayable on demand. As at 31st December 2022, a loss allowance of HK$12.2 million was made for the margin loans receivable based on management's estimate on the expected credit losses in accordance with Hong Kong Financial Reporting Standard 9 "Financial Instruments".	Our procedures performed to address this key audit matter included: (i) We understood, evaluated and validated management's internal controls over the process on margin loan monitoring and collection. (ii) We understood, evaluated and validated management's internal control and assessment process of the expected credit losses and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. (iii) We evaluated the outcome of prior period assessment to assess the effectiveness of management's estimation process. (iv) We understood and evaluated the modeling methodologies used by management for measuring expected credit losses; assessed key parameters and assumptions made by management with reference to the relevant historical credit loss data of the Group and observable external economic data.

Key Audit Matter	How our audit addressed to Key Audit Matter
Expected credit losses are determined by management based on their assessment on whether there is significant increase in credit risk for margin loans receivable since their initial recognition. Significant judgement is required when determining the impairment model, using appropriate key parameters when measuring the risk of default, and identifying any significant deterioration in credit quality, e.g., the degree of fair value changes on the underlying pledged listed securities; and other assumptions used in the expected credit loss model including economic indicators for forward looking information and the application of economic scenarios and probability weightings. We focused on this area due to the size of the balances and the judgement exercised by management in determining the expected credit loss allowance for margin loans receivable as at 31st December 2022.	(v) For historical information, we discussed with management to understand their process of assessing risk of default and identifying significant deterioration in credit risk. We corroborated management's explanation with supporting evidence, including comparing, on a sample basis, the fair value of the collaterals against the margin loans at year end date to identify if there is any shortfall. We also assessed, on a sample basis, the fair value of the collaterals at year end date against the relevant market data. (vi) For forward looking information, we reviewed the appropriateness of economic indicators selected by management; evaluated the economic scenarios and the underlying probability weightings applied by management; tested the resulting calculation of the economic indicators determined thereby. (vii) We also performed independent sensitivity analyses over key parameters and assumptions to the amount of loss allowance. Based on the procedures performed, we found management's judgments and estimates made in respect of the expected credit loss allowance for the margin loans receivable to be supportable by available evidence.

Key Audit Matter	How our audit addressed to Key Audit Matter
Impairment of properties under development and held for sales. Refer to Notes 3(d) and 21 to the consolidated financial statements. As at 31st December 2022, the Group's properties under development and properties held for sale amounted to HK$276.8 million and HK$212.8 million respectively. The carrying amounts of properties under development and properties held for sale were stated at the lower of cost and net realisable value. The net realisable value of these assets were assessed according to their recoverable amounts, taking into account the costs to completion for properties under development, with reference to the latest market prices less selling expenses based on the prevailing market conditions and past experience, with inputs from independent external valuers and where relevant, taking into consideration of legal advice obtained from external lawyers. Based on management's estimates, no provision has been made for the Group's properties under development and held for sale for the year ended 31st December 2022. We focused on this area due to the significant judgments and estimates involved in determining the recoverable amounts.	Our procedures performed to address this key audit matter included: (i) We understood, evaluated and validated management's internal control and assessment process of estimating the costs to completion, selling prices and selling expenses to determine the net realisable value based on prevailing market conditions and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; (ii) We evaluated the independent external valuers' competence, capabilities and objectivity; (iii) We evaluated the outcome of prior year assessment to assess the effectiveness of management's estimation process; (iv) We assessed management's estimates of the anticipated costs to completion with reference to approved budgets and construction contracts with contractors; and reviewed correspondence with contractors for any material cost adjustments and variation orders relevant to the year end date; and (v) We evaluated management's estimated costs to completion, selling prices and selling expenses in determining the net realisable value based on prevailing market conditions by researching the selling prices of comparable properties from the public available resources; comparing the estimated selling prices to the most recent selling prices or prevailing market prices of those comparable properties in the same location or in close proximity; and where relevant, discussed with the external lawyers and obtained legal opinion from them for which management relied on in assessing the recoverable amount. Based on the procedures performed, we found management's judgments and estimates on the net realisable value of properties under development and properties held for sale to be supportable by available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 audit committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24th March 2023

Consolidated Income Statement

For the year ended 31st December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	*4*	**342,183**	529,850
Cost of sales		**(131,848)**	(226,385)
Gross profit		**210,335**	303,465
Other (losses)/gains – net	*5*	**(30,594)**	10,990
Selling, general and administrative expenses		**(276,407)**	(390,310)
Operating loss	*6*	**(96,666)**	(75,855)
Finance income	*7*	**48,142**	17,696
Finance costs	*7*	**(15,289)**	(30,179)
Finance income/(costs) – net	*7*	**32,853**	(12,483)
Loss before taxation		**(63,813)**	(88,338)
Taxation	*8(a)*	**4,969**	(60,660)
Loss for the year		**(58,844)**	(148,998)
Attributable to:			
Shareholders of the Company		**(55,501)**	(139,899)
Non-controlling interests		**(3,343)**	(9,099)
		(58,844)	(148,998)
Losses per share for loss attributable to shareholders of the Company during the year			
– Basic	*9*	**HK(3.55) cents**	HK(9.61) cents
– Diluted	*9*	**HK(3.55) cents**	HK(9.61) cents

The notes on pages 41 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2022

	2022 HK$'000	2021 HK$'000
Loss for the year	**(58,844)**	(148,998)
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
– Exchange reserve realised upon disposal of a subsidiary	**–**	(2,345)
– Currency translation differences	**(82,771)**	(4,003)
Items that will not be reclassified to profit or loss		
– Fair value loss on financial assets at fair value through other comprehensive income	**(31,746)**	(6,973)
– Currency translation differences	**(6,205)**	–
Other comprehensive loss for the year, net of tax	**(120,722)**	(13,321)
Total comprehensive loss for the year	**(179,566)**	(162,319)
Attributable to:		
Shareholders of the Company	**(170,018)**	(155,496)
Non-controlling interests	**(9,548)**	(6,823)
	(179,566)	(162,319)

The notes on pages 41 to 110 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Intangible assets	*14*	**2,126**	2,126
Property, plant and equipment	*15(a)*	**471,935**	564,406
Right-of-use assets	*15(b)*	**26,574**	22,628
Investment properties	*16*	**604,704**	701,548
Leasehold land and land use rights	*17*	**36,462**	39,453
Properties under development	*21*	**135,633**	148,186
Deferred tax assets	*31*	**204**	1,672
Financial assets at fair value through other comprehensive income	*19*	**40,604**	72,350
Other non-current prepayments and deposits	*23*	**1,986**	1,061
Total non-current assets		**1,320,228**	1,553,430
Current assets			
Inventories	*21*	**355,203**	356,230
Loans and advances	*20*	**1,072,680**	1,077,086
Trade receivables	*22*	**150,217**	262,584
Other receivables, prepayments and deposits	*23*	**59,048**	76,126
Tax recoverable	*8(b)*	**8,292**	7,515
Financial assets at fair value through profit or loss	*24*	**4,262**	31
Deposits with banks	*25*	**5,597**	12,231
Client trust bank balances	*26*	**2,678,227**	3,439,418
Cash and bank balances	*26*	**246,997**	328,223
Total current assets		**4,580,523**	5,559,444
Current liabilities			
Trade and other payables	*27*	**3,150,436**	4,086,649
Tax payable	*8(b)*	**44,741**	53,562
Lease liabilities	*15(b)*	**13,269**	9,911
Borrowings	*28*	**153,597**	207,741
Total current liabilities		**3,362,043**	4,357,863
Net current assets		**1,218,480**	1,201,581
Total assets less current liabilities		**2,538,708**	2,755,011

Consolidated Balance Sheet

As at 31st December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Deferred tax liabilities	*31*	**60,836**	80,036
Lease liabilities	*15(b)*	**14,324**	12,478
Borrowings	*28*	**83,278**	103,706
Other non-current liabilities		**257**	–
Total non-current liabilities		**158,695**	196,220
Net assets		**2,380,013**	2,558,791
Equity			
Share capital	*29*	**1,199,345**	1,197,482
Reserves	*30*	**1,117,443**	1,287,461
Capital and reserves attributable to the Company's shareholders		**2,316,788**	2,484,943
Non-controlling interests		**63,225**	73,848
Total equity		**2,380,013**	2,558,791

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 41 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash (outflow)/inflow from operating activities	32	**(54,030)**	23,892
Hong Kong profits tax paid		**(6,758)**	(2,413)
Overseas taxation paid		**(5,722)**	(17,817)
Net cash (used in)/generated from operating activities		**(66,510)**	3,662
Cash flows from investing activities			
Interest received		**37,032**	17,903
Purchase of property, plant and equipment		**(4,109)**	(7,364)
Purchase of financial assets at fair value through profit or loss		**(4,254)**	–
(Increase)/decrease in deposits paid for property, plant and equipment		**(5,260)**	24
Proceeds from disposal of investment properties		**18,908**	25,560
Proceeds from disposal of property, plant and equipment		**38,589**	872
Net proceeds from disposal of a subsidiary		**–**	8
Decrease in deposits with banks		**5,807**	12,265
Net cash generated from investing activities		**86,713**	49,268
Cash flows from financing activities			
Proceeds from issue of shares	29	**1,863**	34,542
Interest paid		**(15,282)**	(29,975)
Proceeds from borrowings		**118,000**	3,048,734
Repayments of borrowings		**(182,792)**	(3,051,550)
Dividend paid to non-controlling interests		**(1,075)**	(1,060)
Payment for lease liabilities		**(13,067)**	(45,598)
Net cash used in financing activities		**(92,353)**	(44,907)
Net (decrease)/increase in cash and cash equivalents		**(72,150)**	8,023
Cash and cash equivalents at 1st January		**328,223**	317,070
Exchange differences		**(9,076)**	3,130
Cash and cash equivalents at 31st December	26	**246,997**	328,223

The notes on pages 41 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2022

	Attributable to shareholders of the Company						Non-controlling interests	Total
	Share capital HK$'000	**Capital reserve HK$'000**	**Assets revaluation reserve HK$'000**	**Financial assets at fair value through other comprehensive income reserve HK$'000**	**Exchange fluctuation reserve HK$'000**	**Retained earnings HK$'000**	**HK$'000**	**HK$'000**
As at 1st January 2022	**1,197,482**	**38,426**	**12,334**	**11,944**	**57,323**	**1,167,434**	**73,848**	**2,558,791**
Loss for the year	–	–	–	–	–	(55,501)	(3,343)	(58,844)
Other comprehensive loss	–	–	–	(31,746)	(82,771)	–	(6,205)	(120,722)
Total comprehensive loss	–	–	–	(31,746)	(82,771)	(55,501)	(9,548)	(179,566)
Issue of new shares *(Note 29)*	1,863	–	–	–	–	–	–	1,863
Dividend paid to non-controlling interests	–	–	–	–	–	–	(1,075)	(1,075)
Transfer from retained earnings	–	289	–	–	–	(289)	–	–
	1,863	289	–	–	–	(289)	(1,075)	788
At 31st December 2022	**1,199,345**	**38,715**	**12,334**	**(19,802)**	**(25,448)**	**1,111,644**	**63,225**	**2,380,013**

	Attributable to shareholders of the Company						Non-controlling interests	Total
	Share capital HK$'000	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
At 1st January 2021	1,162,940	38,912	12,334	18,917	65,947	1,306,847	81,731	2,687,628
Loss for the year	–	–	–	–	–	(139,899)	(9,099)	(148,998)
Other comprehensive loss	–	(620)	–	(6,973)	(8,624)	620	2,276	(13,321)
Total comprehensive loss	–	(620)	–	(6,973)	(8,624)	(139,279)	(6,823)	(162,319)
Issue of new shares	34,542	–	–	–	–	–	–	34,542
Dividend paid to non-controlling interests	–	–	–	–	–	–	(1,060)	(1,060)
Transfer from retained earnings	–	134	–	–	–	(134)	–	–
	34,542	134	–	–	–	(134)	(1,060)	33,482
At 31st December 2021	1,197,482	38,426	12,334	11,944	57,323	1,167,434	73,848	2,558,791

The notes on pages 41 to 110 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

First Shanghai Investments Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operations, medical and healthcare services, direct investment, investment holding and management.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except that a leasehold land and building in Hong Kong is stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses (if any), and as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL"), which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 3.

Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1st January 2022:

- Reference to the Conceptual Framework – Amendments to HKFRS 3;
- Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37;
- Annual Improvements to HKFRS Standards 2018-2020 – Annual Improvements;
- Merger Accounting for Common Control Combinations – Accounting Guideline 5 (revised); and
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to HKFRS 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policies and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current and future periods.

(b) Standards and amendments to existing Standards that are not yet effective and have not been adopted by the Group

The following Standards and amendments to existing Standards have been issued but are not effective for the financial year beginning 1st January 2022 and have not been early adopted:

		Effective for accounting periods beginning on or after
• HKFRS 17 and Amendments to HKFRS 17	Insurance contracts;	1st January 2023
• Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies;	1st January 2023
• Amendments to HKAS 8	Definition of Accounting Estimates;	1st January 2023
• Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction;	1st January 2023
• Amendments to HKAS 1	Classification of Liabilities as Current or Non-current;	1st January 2024
• Amendments to HKAS 1	Non-current Liabilities with Covenants;	1st January 2024
• Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback;	1st January 2024
• Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause; and	1st January 2024
• Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the related impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these amendments will result in substantial changes to the Group's accounting policies and presentation of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent lenders under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors (the "Board") of the Company that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as FVOCI, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2.5 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2.1(a). Goodwill on acquisition of subsidiaries is included in "intangible assets". Separately recognised goodwill is not amortised but it is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Others

The trading rights at the Hong Kong Futures Exchange Limited ("trading rights") are recognised as intangible assets in the consolidated balance sheet. They have definite useful lives and are tested annually for impairment and carried at cost less accumulated impairment losses.

2.6 Property, plant and equipment

(a) Land and buildings in Hong Kong

The Group carries its leasehold land classified as finance lease at cost. Buildings in Hong Kong are carried at cost or at revalued amounts and revaluation surpluses or deficits were dealt with in the assets revaluation reserve. Effective from annual period ended after 30th September 1995, no further revaluations have been carried out. The Group places reliance on paragraph 80AA of HKAS 16, "Property, plant and equipment", issued by the HKICPA which provides exemption from the need to make regular revaluations for such assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

(b) *Construction-in-progress*

Construction-in-progress comprises other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction-in-progress until such time as the relevant assets are completed and put into use.

(c) *Other property, plant and equipment*

Other property, plant and equipment comprises mainly freehold land, buildings outside Hong Kong, furniture, fixtures and equipment, medical and laboratory equipment, and vehicles, trucks and machinery are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged in the consolidated income statement during the financial year in which they are incurred.

(d) *Depreciation and amortisation*

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Freehold land is not depreciated. Amortisation on leasehold land classified as finance lease and depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the term of the leases
Buildings	Over the shorter of the term of the leases or 40 years
Furniture, fixtures and equipment	3 to 5 years
Plant and machinery	8 to 10 years
Motor vehicles	4 to 5 years
Trucks	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

(e) Gains and losses on disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other (losses)/gains – net" in the consolidated income statement. When revalued assets are sold, the amounts included in assets revaluation reserve are transferred to retained earnings.

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. It also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the RICS Valuation – Global Standards 2022, incorporating the International Valuation Standards 2021, issued by the Royal Institution of Chartered Surveyors and HKIS Valuation Standards 2022 published by the Hong Kong Institute of Surveyors.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Investment properties *(continued)*

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the consolidated income statement as part of "other (losses)/gains – net".

If an item of completed properties held for sale becomes an investment property as a result of change in its use, any difference between the carrying amount and the fair value of this property at the date of transfer is recognised in the consolidated income statement as part of "other (losses)/gains – net".

2.8 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are amortised in the consolidated income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is recognised in the consolidated income statement. They are included in non-current assets.

2.9 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the relevant investment in the Company's balance sheet exceeds its carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and at fair value through other comprehensive income ("OCI"). The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

(b) *Recognition and measurement*

Regular way of purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. FVPL are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains together with foreign exchange gains and losses.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of FVPL, including net gains/(losses) on disposal, and dividend income from FVPL when the Group's right to receive payments is established are recognised in the consolidated income statement as investment income of the Group's financial services business.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs, borrowing costs capitalised and professional fees incurred during the construction period. Upon completion, the properties are transferred to properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis method. The cost of finished goods and work in progress comprises raw materials, direct labour, shipping costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Client trust bank balances

The Group has classified in the consolidated balance sheet the clients' deposits as client trust bank balances in the current assets section and recognised a corresponding trade payables to the respective clients under the current liabilities section.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables also include clients' deposits received as detailed in Note 2.14 above. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income and directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred taxation *(continued)*

(b) ***Deferred income tax*** *(continued)*

Inside basis differences (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) ***Offsetting***

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) ***Pension obligations***

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited for those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

As stipulated by rules and regulations in the People's Republic of China ("PRC"), the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group contributes to the retirement plans certain percentage of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

(b) ***Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits *(continued)*

(c) Discretionary bonus

Discretionary bonus is accrued in the year in which the associated services are rendered by employees of the Group.

Liabilities for discretionary bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(d) Employee share-based compensation

The Group operates an equity-settled, employee share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, (1) including any market performance conditions (for example, an entity's share price); (2) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and (3) including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.23 Revenue recognition

(a) Revenue on financial services business from brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling fee, research fee and facilitating income arising from brokerage business are recognised when the related services are rendered. Underwriting fee income is recognised when the Group has fulfilled its obligations under the underwriting contract. Asset management fee, advisory fee income is recognised progressively over time once the performance obligation is fulfilled or at a point in time when the service is completed, according to the nature and the terms of the contracts.

(b) Revenue on financial services business from securities investments include realised fair value gains or losses on listed and unlisted investments trading, on a trade date basis, and unrealised fair value gains or losses on changes in fair value at the end of the reporting period.

(c) Revenue from sales of properties is recognised when the control of the asset is transferred to the customers. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. If control of the asset 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 asset.

(d) Revenue from hotel accommodation, medical services and other ancillary services are recognised on a basis that reflects the timing, nature and value when the relevant services are transferred to the customer.

(e) Revenue from food and beverage sales and retail sale of goods are recognised when goods are delivered which is taken to be the point in time when the customer takes possession of and accepts the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Revenue recognition *(continued)*

(f) Rental income from operating leases is recognised over the period covered by the lease term on a straight-line basis.

(g) Dividend income from investments is recognised when the rights to receive payment is established.

(h) Interest income is recognised as it accrues using the effective interest method.

2.24 Finance costs

Finance costs incurred for the construction of any qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other finance costs are expensed as incurred.

2.25 Leases

(a) The Group as lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases for real estate for which the Group is lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Asset and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at commencement date;

- Amounts expected to be payable by the Group under residual value guarantees;

- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

(a) The Group as lessee (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use-asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for lease held by the Group, which does not have recent third party financing; and

- Makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group may expose to potential future increase in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;

- Any lease payments made at or before the commencement date less any lease incentives received; and

- Any initial direct costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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

(b) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, as appropriate.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

The Group tests at least annually whether intangible assets have suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant change in the projected performance and resulting future cash flow projections, such difference will impact the carrying value of the relevant asset and amount of impairment charge for the year in which such estimate has been changed.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of financial assets

The Group determined the loss allowance of the loans and advances, and trade receivables based on the expected credit loss of these receivables. The Group applies significant judgement in the determination of the impairment model and the use of parameters. The Group also uses significant judgement in its assessment on whether there is any significant increase in credit risk of these receivables. The Group makes assumptions on the economic indicators for forward looking information and the application of economic scenarios and probability weightings.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Provision for impairment of properties under development and properties held for sale

The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions.

Provision is made when events or changes in circumstances which indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(e) Estimated fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 16.

(f) Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(g) Income taxes

The Group is subject to income taxes in various jurisdictions, mainly in Hong Kong and the PRC. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain deductible temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(h) Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the lease of land and buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board identifies the following reportable operating segments by business perspective:

- Financial services
- Property development
- Property investment and hotel
- Other businesses

Starting from current year, the Group focuses on the operating decisions and the performance evaluation of three reportable segments which are Financial services, Property development and Property investment and hotel. Medical and healthcare and Direct investment are no longer considered as separate reportable segments and have been aggregated into Other businesses. The change in the basis of internal reports to the chief operating decision maker is to combine segments with similar economic characteristics for the purpose of a more efficient resources allocation and performance assessment. As a result of the above re-alignment, comparative figures presented have also been restated to conform to current year's presentation.

The Board assesses the performance of the operating segments based on a measure of segment results. Segment assets consist primarily of intangible assets, property, plant and equipment, right-of-use assets, investment properties, leasehold land and land use rights, inventories, financial assets and operating cash. The Group operates primarily in Hong Kong, the PRC and France. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods and services.

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments

	Financial services 2022 HK$'000	Property development 2022 HK$'000	Property investment and hotel 2022 HK$'000	Other businesses 2022 HK$'000	2022 HK$'000
Income statement					
Interest revenue calculated using effective interest method	63,731	–	–	–	63,731
Timing of recognition:					
– At a point in time	108,941	7,925	46,802	11,769	175,437
– Over time	10,829	–	87,254	4,932	103,015
Revenue	183,501	7,925	134,056	16,701	342,183
Segment results	36,223	(19,809)	(56,996)	(15,972)	(56,554)
Unallocated net operating expenses					(40,112)
Operating loss					(96,666)
Finance income – net					32,853
Loss before taxation					(63,813)
Balance sheet					
Segment assets	4,095,707	566,012	1,144,375	67,808	5,873,902
Tax recoverable					8,292
Deferred tax assets					204
Corporate assets					18,353
Total assets					5,900,751
Other information					
Depreciation and amortisation	9,707	497	28,251	6,226	44,681
Impairment of property, plant and equipment	–	–	9,002	–	9,002

Note: There were no sales among the operating segments.

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Financial services 2021 HK$'000	Property development 2021 HK$'000	Property investment and hotel 2021 HK$'000	Other businesses 2021 HK$'000 (Restated)	2021 HK$'000
Income statement					
Interest revenue calculated using effective interest method	89,137	–	–	–	89,137
Timing of recognition:					
– At a point in time	194,382	36,436	42,154	56,227	329,199
– Over time	21,071	–	85,781	4,662	111,514
Revenue	304,590	36,436	127,935	60,889	529,850
Segment results	118,810	(51,334)	(38,142)	(64,914)	(35,580)
Unallocated net operating expenses					(40,275)
Operating loss					(75,855)
Finance costs – net					(12,483)
Loss before taxation					(88,338)
Balance sheet					
Segment assets	4,988,320	583,057	1,311,337	179,692	7,062,406
Tax recoverable					7,515
Deferred tax assets					1,672
Corporate assets					41,281
Total assets					7,112,874
Other information					
Depreciation and amortisation	8,995	680	31,101	63,532	104,308
Impairment of property, plant and equipment	–	–	–	6,953	6,953

Note: There were no sales among the operating segments.

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

	Hong Kong 2022 HK$'000	PRC 2022 HK$'000	France 2022 HK$'000	2022 HK$'000
Revenue	**196,102**	**91,067**	**55,014**	**342,183**
Non-current assets*	**101,355**	**878,404**	**299,661**	**1,279,420**

	Hong Kong 2021 HK$'000	PRC 2021 HK$'000 (Restated)	France 2021 HK$'000 (Restated)	2021 HK$'000
Revenue	358,929	128,443	42,478	529,850
Non-current assets*	124,161	1,010,813	344,434	1,479,408

* *Non-current assets exclude FVOCI and deferred tax assets.*

5. OTHER (LOSSES)/GAINS – NET

	2022 HK$'000	2021 HK$'000
Loss on disposal of investment properties	**(129)**	(8,648)
Gain on disposal of a subsidiary	**32**	2,356
Net gain/(loss) on disposal of property, plant and equipment	**12,194**	(75)
Net gain on lease modification	**–**	32,242
Impairment of intangible assets *(Note 14)*	**–**	(3,000)
Impairment of property, plant and equipment *(Note 15(a))*	**(9,002)**	(5,582)
Fair value losses on investment properties	**(30,730)**	(19,938)
Net foreign exchange (loss)/gain	**(2,959)**	13,635
	(30,594)	10,990

6. OPERATING LOSS

Operating loss is stated after charging the following:

	2022 **HK$'000**	2021 HK$'000
Depreciation *(Note 15)*	**43,085**	104,722
Amortisation of leasehold land and land use rights *(Note 17)*	**1,596**	1,651
Cost of properties sold	**6,163**	25,750
Provision for obsolete stock	**36**	172
Net losses on impairment of financial assets	**2,325**	3,316
Impairment of property, plant and equipment	**–**	1,371
Stockbroking commission and related expenses	**24,973**	44,901
Staff costs *(Note 11)*	**209,120**	258,224
Charges related to litigation	**5,624**	37,007
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	**2,642**	2,868
– other auditors	**893**	1,117
Non-audit services – the Company's auditor	**111**	404

7. FINANCE INCOME/(COSTS) – NET

	2022 **HK$'000**	2021 HK$'000
Finance income		
– Interest income	**48,142**	16,961
– Interest income from lease assets	**–**	735
Total finance income	**48,142**	17,696
Finance costs		
– Interest on loans and overdrafts	**(14,216)**	(21,182)
– Interest expense on lease liabilities	**(1,073)**	(8,997)
Total finance costs	**(15,289)**	(30,179)
Finance income/(costs) – net	**32,853**	(12,483)

8. TAXATION

(a) The amount of taxation (credited)/charged to the consolidated income statement represents:

	2022 HK$'000	2021 HK$'000
Hong Kong profits tax		
Current	**3,917**	6,998
Over provision in previous years	**(1,178)**	(2,705)
Overseas taxation		
Current	**815**	4,216
Over provision in previous years	**–**	(13)
Land appreciation tax	**3,051**	14,884
Deferred taxation *(Note 31)*	**(11,574)**	37,280
Taxation (credit)/charge	**(4,969)**	60,660

The taxation on the loss before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2022 HK$'000	2021 HK$'000
Loss before taxation	**(63,813)**	(88,338)
Tax calculated at a taxation rate of 16.5% (2021: 16.5%)	**(10,529)**	(14,576)
Effect of different taxation rates in other countries	**(16,917)**	(15,171)
Income not subject to taxation	**(13,617)**	(18,538)
Expenses not deductible for taxation purposes	**9,268**	7,702
Over provision in previous years, net	**(1,178)**	(2,718)
Unrecognised deferred tax assets	**25,188**	92,694
Corporate withholding tax	**513**	76
Tax impact of land appreciation tax	**(763)**	(3,721)
Others	**15**	28
	(8,020)	45,776
Land appreciation tax	**3,051**	14,884
Taxation (credit)/charge	**(4,969)**	60,660

8. TAXATION *(continued)*

(b) The amount of taxation in the consolidated balance sheet represents:

	2022 HK$'000	2021 HK$'000
Recoverable		
Hong Kong	**314**	–
Overseas	**7,978**	7,515
	8,292	7,515
Payable		
Hong Kong	**–**	3,722
Overseas	**44,741**	49,840
	44,741	53,562

9. LOSSES PER SHARE

The calculation of basic and diluted losses per share is based on the Group's loss attributable to shareholders of HK$55,501,000 (2021: HK$139,899,000). The basic losses per share is based on the weighted average number of 1,564,545,892 (2021: 1,456,245,562) shares in issue during the year.

Diluted losses per share is the same as the basic losses per share as there were no dilutive potential ordinary shares in issue during the year.

10. DIVIDENDS

The Board does not recommend the payment of a final dividend (2021: Nil) for the year ended 31st December 2022.

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 HK$'000	2021 HK$'000
Wages, salaries and allowance	**184,191**	233,881
Retirement benefit costs *(Note 13)*	**11,740**	12,398
Other employee benefits	**13,189**	11,945
	209,120	258,224

12. DIRECTORS' BENEFITS AND INTERESTS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each of the directors disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are set out below:

(i) For the year ended 31st December 2022

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors:					
Mr. LO Yuen Yat	–	4,077	300	367	4,744
Mr. XIN Shulin	–	2,686	300	247	3,233
Mr. YEUNG Wai Kin	–	3,501	1,500	320	5,321
Ms. LAO Yuanyuan	–	668	–	18	686
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*	294	–	–	–	294
Independent non-executive directors:					
Prof. WOO Chia-Wei	294	–	–	–	294
Mr. LIU Ji	294	–	–	–	294
Mr. YU Qihao	294	–	–	–	294
Mr. ZHOU Xiaohe	294	–	–	–	294

(ii) For the year ended 31st December 2021

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors:					
Mr. LO Yuen Yat	–	3,947	300	358	4,605
Mr. XIN Shulin	–	2,620	300	241	3,161
Mr. YEUNG Wai Kin	–	3,416	2,080	312	5,808
Ms. LAO Yuanyuan	–	499	–	14	513
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.*	294	–	–	–	294
Independent non-executive directors:					
Prof. WOO Chia-Wei	294	–	–	–	294
Mr. LIU Ji	294	–	–	–	294
Mr. YU Qihao	294	–	–	–	294
Mr. ZHOU Xiaohe	294	–	–	–	294

12. DIRECTORS' BENEFITS AND INTERESTS AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Details of share options granted, exercised and lapsed during the year are disclosed in the Report of the Directors.

No directors have waived emoluments in respect of the years ended 31st December 2022 and 2021.

(b) Other directors' benefits and interests

During the years ended 31st December 2022 and 2021, there were:

(i) no other retirement benefits paid to the directors;

(ii) no termination on the appointment of directors and thus no payments was made as compensation for the early termination of appointment;

(iii) no consideration was provided to third parties for making available directors' services;

(iv) no loans, quasi-loans and other dealings were entered into by the Company or any of its subsidiaries in favour of the directors, their controlled bodies corporate and their connected entities; and

(v) save as disclosed in Note 35, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2021: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2021: three) individuals during the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Basic salaries, allowances and benefits-in-kind	**4,884**	9,148
Discretionary bonuses	**11,840**	18,920
Retirement benefit costs	**318**	332
	17,042	28,400

12. DIRECTORS' BENEFITS AND INTERESTS AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(c) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
HK$	**2022**	2021
4,000,001 – 4,500,000	–	1
5,500,001 – 6,000,000	**1**	–
8,000,001 – 8,500,000	–	1
11,000,001 – 11,500,000	**1**	–
16,000,001 – 16,500,000	–	1
	2	3

13. RETIREMENT BENEFIT COSTS – DEFINED CONTRIBUTION PLANS

The Group participates in defined contribution retirement schemes which are available to Hong Kong employees. The rates of contributions are 5% of basic salary from the employees and 5% to 10% from the employer depending on the length of service of the individuals. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

No contribution (2021: Nil) of defined contribution retirement schemes in Hong Kong was forfeited during the year. There were no outstanding balance as at the balance sheet dates of 2022 and 2021 available to reduce the contributions payable in the future years.

Contributions totaling HK$315,000 (2021: HK$404,000) were payable to the retirement schemes at the year end and are included in trade and other payables.

The Group also contributes to retirement plans for its employees in the PRC and overseas. The rates of contributions are approximately ranging from 17% to 28% of basic salary from the Group for its employees in the PRC and approximately ranging from 12% to 17% of basic salary from the Group for its overseas employees.

14. INTANGIBLE ASSETS

	Goodwill HK$'000	**Others HK$'000**	**Total HK$'000**
Cost			
At 1st January 2022	**14,699**	**400**	**15,099**
Exchange difference	**(565)**	**–**	**(565)**
At 31st December 2022	**14,134**	**400**	**14,534**
Accumulated impairment loss			
At 1st January 2022	**12,973**	**–**	**12,973**
Exchange difference	**(565)**	**–**	**(565)**
At 31st December 2022	**12,408**	**–**	**12,408**
Net book value			
At 31st December 2022	**1,726**	**400**	**2,126**

	Goodwill HK$'000	Others HK$'000	Total HK$'000
Cost			
At 1st January 2021	15,463	400	15,863
Exchange difference	(764)	–	(764)
At 31st December 2021	14,699	400	15,099
Accumulated impairment loss			
At 1st January 2021	10,737	–	10,737
Provision for impairment	3,000	–	3,000
Exchange difference	(764)	–	(764)
At 31st December 2021	12,973	–	12,973
Net book value			
At 31st December 2021	1,726	400	2,126

14. INTANGIBLE ASSETS *(continued)*

Impairment test for goodwill

Goodwill acquired through business combination has been allocated to the financial services and property and hotel segments for impairment testing.

During the year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the financial services segment, with carrying amount of HK$Nil (2021: HK$3,000,000) was impaired.

15. (a) PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Vehicles, trucks and machinery HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation					
At 1st January 2022	651,944	333,690	32,269	370	1,018,273
Additions	69	3,969	794	–	4,832
Transfer	370	–	–	(370)	–
Disposals	(132)	(125,443)	(25)	–	(125,600)
Exchange differences	(40,796)	(14,510)	(2,023)	–	(57,329)
At 31st December 2022	611,455	197,706	31,015	–	840,176
Accumulated depreciation and impairment loss					
At 1st January 2022	164,797	268,418	20,282	370	453,867
Transfer	370	–	–	(370)	–
Depreciation for the year	18,455	8,848	1,482	–	28,785
Impairment loss	8,272	533	197	–	9,002
Disposals	(32)	(99,159)	(14)	–	(99,205)
Exchange differences	(10,347)	(12,422)	(1,439)	–	(24,208)
At 31st December 2022	181,515	166,218	20,508	–	368,241
Net book value					
At 31st December 2022	429,940	31,488	10,507	–	471,935

15. (a) PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Vehicles, trucks and machinery HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation					
At 1st January 2021	675,473	348,468	33,144	359	1,057,444
Additions	338	6,960	119	–	7,417
Disposals	(100)	(24,519)	(743)	–	(25,362)
Exchange differences	(23,767)	2,781	(251)	11	(21,226)
At 31st December 2021	651,944	333,690	32,269	370	1,018,273
Accumulated depreciation and impairment loss					
At 1st January 2021	145,961	240,388	19,095	359	405,803
Depreciation for the year	20,089	37,559	1,785	–	59,433
Impairment loss	–	6,953	–	–	6,953
Disposals	(90)	(20,170)	(716)	–	(20,976)
Exchange differences	(1,163)	3,688	118	11	2,654
At 31st December 2021	164,797	268,418	20,282	370	453,867
Net book value					
At 31st December 2021	487,147	65,272	11,987	–	564,406

Freehold land with carrying amount of HK$97,119,000 (2021: HK$103,190,000) was included under "Land and buildings" category.

Land and building with carrying amount of HK$42,867,000 (2021: HK$43,475,000) is stated at professional valuation in 1994 less accumulated depreciation. If this land and building had been stated on the historical cost basis, its net book amount would be HK$16,277,000 (2021: HK$17,544,000).

Impairment assessment

As a result of the change in macroeconomic factors, the Group's property investment and hotel ("PIH") segment was adversely affected. Management carried out an impairment review on the non-financial assets within the Group's PIH segment as at 31st December 2022. Based on the results of the impairment assessment, the recoverable amounts of certain CGUs within the PIH segment, mainly including property, plant and equipment, were determined to be approximately HK$291 million and an impairment loss on property, plant and equipment of HK$9.0 million (2021: Nil) has been recognised in the consolidated income statement for the year ended 31st December 2022.

The recoverable amounts have been determined based on the value-in-use calculations. The discount rates used in measuring the value-in-use within the PIH segment was 11.0% (2021:10.3%), which is pre-tax and reflect the specific risks relating to the relevant businesses.

15. (b) LEASES

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Land and buildings	**21,576**	16,189
Vehicles, trucks and machinery	**4,998**	6,439
	26,574	22,628
Lease liabilities		
Current	**13,269**	9,911
Non-current	**14,324**	12,478
	27,593	22,389

Additions to the right-of-use assets during the 2022 financial year were HK$19,007,000 (2021: HK$19,088,000).

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts related to leases:

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets		
Land and buildings	**11,659**	42,605
Vehicles, trucks and machinery	**2,641**	2,684
	14,300	45,289
Expense relating to short-term leases (included in administrative expenses)	**13,466**	–

The total cash outflow for leases in 2022 was HK$27,606,000 (2021: HK$54,595,000).

Rental received from sub-leasing right-of-use assets was HK$Nil (2021: HK$4,330,000).

The Group leases various premises, offices, equipment and vehicles. Rental contracts are typically made for fixed periods, but may have extension options in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

15. (b) LEASES *(continued)*

(ii) Amounts recognised in the consolidated income statement *(continued)*

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
Valuation at 1st January	**701,548**	703,202
Transfer from properties held for sale	**3,807**	37,198
Disposals	**(19,037)**	(34,208)
Fair value losses	**(30,730)**	(19,938)
Exchange differences	**(50,884)**	15,294
Valuation at 31st December	**604,704**	701,548

	2022 HK$'000	2021 HK$'000
Rental income recognised in consolidated income statement for investment properties	**22,845**	24,588
Operating expenses recognised in consolidated income statement for rental income	**2,225**	2,273

The recurring fair value measurements for investment properties are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfer between level 1, 2 and 3 during the year.

Fair value measurements using significant unobservable inputs (Level 3)

	2022 HK$'000	2021 HK$'000
Change in unrealised losses for the year included in the consolidated income statement for assets held at the end of the year	**(30,730)**	(19,938)

16. INVESTMENT PROPERTIES *(continued)*

Valuation processes

The Group's investment properties were revalued at 31st December 2022 and 2021 by independent, professionally qualified valuers who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The Group's finance department includes a valuation team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the top management. Discussions of valuation processes and results are held between the valuation team and valuers at least once a year, in line with the Group's annual reporting dates.

At each financial year end, the finance department:

- verifies all major inputs of the independent valuation report;

- assesses property valuations movements when compared to the prior year valuation report; and

- holds discussion with the independent valuers.

Changes in level 3 fair values are analysed at each reporting date during the annual valuation discussion between the top management and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movement.

Valuation techniques

Certain properties valuation was determined using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as conditions, location, building age and etc. The most significant input into this valuation approach is price per square meter.

The other properties valuation was determined using income capitalisation approach. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The most significant unobservable inputs into this valuation approach are monthly market rent and the capitalisation rate.

There were no changes to the valuation techniques during the year.

16. INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31st December 2022 and 2021

	Valuation technique(s)	Unobservable inputs	Relationship	Range
(a)	**PRC properties in the first tier cities**			
	Direct comparison approach	Sales price	Higher fair value with higher sales price	HK$25,000 – HK$95,000 (2021: HK$25,000 – HK$110,000) per square meter
(b)	**PRC properties in other cities**			
	Direct comparison approach	Sales price	Higher fair value with higher sales price	HK$8,000 – HK$14,000 (2021: HK$14,000 – HK$16,000) per square meter
	Income capitalisation approach	Monthly market rent	Higher fair value with higher monthly market rent	HK$19 – HK$103 (2021: HK$29 – HK$105) per square meter
		Capitalisation rate	Lower fair value with higher capitalisation rate	3% – 8% (2021: 3% – 8%)
(c)	**HK properties**			
	Direct comparison approach	Sales price	Higher fair value with higher sales price	HK$303,000 – HK$415,000 (2021: HK$304,000 – HK$402,000) per square meter

There are inter-relationships between unobservable inputs. An increase in future rental income may be linked with higher costs.

17. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and the movements in the net book value thereof are analysed as follows:

	2022 HK$'000	2021 HK$'000
Net book value at 1st January	**39,453**	40,595
Amortisation for the year *(Note 6)*	**(1,596)**	(1,651)
Exchange differences	**(1,395)**	509
Net book value at 31st December	**36,462**	39,453

18. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31st December:

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2022	Effective interest held 2021	Principal activities
Shares held directly:					
Advance Sight International Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares	**100%**	100%	Investment holding
First Shanghai Finance Limited	Hong Kong	2 ordinary shares	**100%**	100%	Money lending
First Shanghai Holdings Limited	Hong Kong	2 ordinary shares	**100%**	100%	Investment holding
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares	**100%**	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares	**100%**	100%	Nominee services
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares	**100%**	100%	Property investment
Firstech Financial Holdings Limited	Cayman Islands	1 ordinary share of US$1 each	**100%**	100%	Investment holding
Headmost Technology Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
IVF Centre (Hong Kong) Limited	Hong Kong	10 ordinary shares	**–**	100%	Provision of medical and healthcare services
Leung Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Well Far Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
Wise International Trading Limited	Hong Kong	10 ordinary shares	**100%**	100%	Investment holding
Yearson Properties Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment

18. SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2022	Effective interest held 2021	Principal activities
Shares held indirectly:					
Best Glory Holdings Limited	Hong Kong	1 ordinary share	–	100%	Property investment
Billion Bright Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
Bonvision Consultancy (Beijing) Company Limited	PRC (a)	HK$500,000	**100%**	100%	Financial consultancy
Bonvision Consulting (Shanghai) Limited	PRC (a)	US$200,000	**100%**	100%	Financial consultancy
Bright Shining Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
China Betung Automobile (H.K.) Company Limited	Hong Kong	2 ordinary shares	**100%**	100%	Investment holding
Clear Profit Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
Crimson Pharmaceutical (Hong Kong) Limited	Hong Kong	1,000 ordinary shares	–	100%	Pharmaceutical services
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares	**100%**	100%	Investment holding
First eFinance Limited	Hong Kong	2 ordinary shares	**100%**	100%	Internet financial service system services
First Shanghai Capital Limited	Hong Kong	22,000,000 ordinary shares	**100%**	100%	Corporate finance
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
First Shanghai Futures Limited	Hong Kong	34,000,000 ordinary shares	**100%**	100%	Futures broking

18. SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2022	Effective interest held 2021	Principal activities
Shares held indirectly: *(continued)*					
First Shanghai Hotel Limited	France	44,810 ordinary shares of EUR100 each	**100%**	100%	Hotel operation
First Shanghai Investment Holding Group Limited	British Virgin Islands	100,000 ordinary shares of US$1 each	**99.9%**	99.9%	Investment holding
First Shanghai Investment Management (HK) Limited	Hong Kong	10,000,000 ordinary shares	**100%**	100%	Asset management
First Shanghai Properties (Kunshan) Company Limited	PRC (b)	US$5,000,000	**70%**	70%	Property development
First Shanghai Real Estate (Holdings) Limited	Hong Kong	10 ordinary shares	**100%**	100%	Investment holding
First Shanghai Resort S.a.r.l.	Luxembourg	12,500 ordinary shares of EUR1 each	**100%**	100%	Investment holding
First Shanghai Securities Limited	Hong Kong	85,000,000 ordinary shares	**100%**	100%	Stockbroking
First Shanghai Wealth Management Limited	Hong Kong	7,200,000 ordinary shares	**100%**	100%	Insurance broking
Fu Hai Digital Science & Technology (Shanghai) Company Limited	PRC (a)	US$5,000,000	**100%**	100%	Investment holding
Gold S.A.S.	France	2,000,000 ordinary shares of EUR7.01 each	**100%**	100%	Hotel and golf course operation
HK Landshine Real Estate Limited	Hong Kong	1 ordinary share	**100%**	100%	Investment holding
Huangshan Hui Zhong Property Development Company Limited	PRC (a)	US$5,000,000	**100%**	100%	Property development

18. SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2022	Effective interest held 2021	Principal activities
Shares held indirectly: *(continued)*					
IMC (Hong Kong) Management Services Limited	Hong Kong	10 ordinary shares	–	100%	Management services
International Medical Centre (Hong Kong) Limited	Hong Kong	10 ordinary shares	–	100%	Provision of medical and healthcare services
International Child Dental Centre (Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares	60%	60%	Provision of dental services
Jonan Industries Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	100%	Investment holding
Kunshan Shi Jingying Hotel Management Company Limited	PRC (c)	RMB1,000,000	70%	70%	Hotel operation
Leader Capital Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	100%	Investment holding
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US$1 each	100%	100%	Property investment
Peak Achieve Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	100%	Investment holding
Shanghai Fu Heng Properties Management Limited	PRC (c)	RMB50,000	100%	100%	Property management
Shanghai Transvision Network Application Service Company Limited	PRC (a)	US$1,800,000	100%	100%	Investment holding
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	PRC (b)	US$11,025,000	62%	62%	Container transportation and freight forwarding

18. SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2022	Effective interest held 2021	Principal activities
Shares held indirectly: *(continued)*					
United Asia Transport Limited	Hong Kong	2 ordinary shares	**100%**	100%	Investment holding
Union Light International Limited	Hong Kong	1 ordinary share	**100%**	100%	Investment holding
World Venture Holdings Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
Wuxi HK Landshine Real Estate Company Limited ("Wuxi Landshine")	PRC (b)	US$20,000,000	**70%**	70%	Property development
Wuxi Sunshine Real Estate Limited	PRC (a)	US$30,000,000	**100%**	100%	Hotel operation
Zhongshan Sunshine Resort Limited	PRC (a)	RMB80,000,000	**99.9%**	99.9%	Property development

Notes:

(a) *Subsidiaries incorporated in the PRC registered as wholly-owned foreign enterprises.*

(b) *Subsidiaries incorporated in the PRC registered as sino-foreign equity joint ventures.*

(c) *Subsidiaries incorporated in the PRC registered as limited liability companies.*

Material non-controlling interests

The total non-controlling interest for the year is HK$63,225,000 (2021: HK$73,848,000), of which HK$48,635,000 (2021: HK$54,938,000) is attributed to Wuxi Landshine. The non-controlling interests in respect of the other companies are not material.

18. SUBSIDIARIES *(continued)*

Summarised financial information for a subsidiary with material non-controlling interests

Set out below are the summarised financial information for Wuxi Landshine that has non-controlling interests material to the Group.

	2022 HK$'000	2021 HK$'000
Summarised income statement		
Revenue	**15,192**	14,433
Loss after taxation	**(5,705)**	(29,383)
Total comprehensive loss	**(5,705)**	(29,383)
Summarised balance sheet		
Assets		
Non-current assets	**271,875**	302,848
Current assets	**194,394**	217,704
	466,269	520,552
Liabilities		
Non-current liabilities	**67,945**	85,156
Current liabilities	**236,209**	252,268
	304,154	337,424
Net assets	**162,115**	183,128
Summarised cash flows		
Cash flows generated from operating activities	**12,324**	6,668
Net cash used in investing activities	**(36)**	(7,775)
Net cash used in financing activities	**(12,128)**	(7,943)
Net increase/(decrease) in cash and cash equivalents	**160**	(9,050)
Cash and cash equivalents at 1st January	**161**	8,947
Exchange difference	**(17)**	264
Cash and cash equivalents at 31st December	**304**	161

The information above is the amount before inter-company eliminations.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
At 1st January	**72,350**	79,323
Fair value change transfer to other comprehensive income	**(31,746)**	(6,973)
Balance at 31st December	**40,604**	72,350

The FVOCI represents an unlisted equity security, which fair value is determined with reference to the published price quotations in an active market of the underlying investments held by the investee.

20. LOANS AND ADVANCES

	2022 HK$'000	2021 HK$'000
Loans and advances *(note (a))*	**56,117**	56,443
Loss allowance	**(56,117)**	(56,443)
	–	–
Margin loans *(note (b))*	**1,084,881**	1,086,595
Loss allowance	**(12,201)**	(9,509)
	1,072,680	1,077,086

20. LOANS AND ADVANCES *(continued)*

Notes:

(a) *The carrying values of loans and advances approximate to their fair values.*

The movements in the loss allowance of loans and advances are as follows:

	2022 HK$'000	2021 HK$'000
At 1st January	56,443	56,333
Exchange differences	(326)	110
At 31st December	56,117	56,443

(b) *Margin loans to third parties are bearing interest at commercial rates, secured by the underlying pledged securities and are repayable on demand. The carrying values of margin loans approximate to their fair values.*

The movements in the loss allowance of margin loans are as follows:

	2022 HK$'000	2021 HK$'000
At 1st January	9,509	5,866
Increase in loss allowance during the year	2,692	3,643
Balance at 31st December	12,201	9,509

The carrying amounts of loans and advances are denominated in Hong Kong dollars.

21. INVENTORIES

	2022 HK$'000	2021 HK$'000
Properties under development (within normal operating cycle)	**141,178**	110,073
Properties held for sale	**212,786**	243,260
Other inventories	**1,239**	2,897
	355,203	356,230
Properties under development (beyond normal operating cycle)	**135,633**	148,186

22. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Due from stockbrokers and clearing houses	**64,471**	116,808
Due from stockbroking clients	**78,592**	138,824
Trade receivables – others	**21,725**	23,237
	164,788	278,869
Loss allowance	**(14,571)**	(16,285)
	150,217	262,584

Trade receivables are either repayable within one year or on demand. The fair value of the trade receivables is approximately the same as the carrying value.

The settlement terms of receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of receivables attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

22. TRADE RECEIVABLES *(continued)*

The ageing analysis of the trade receivables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0 – 30 days	**143,959**	258,531
31 – 60 days	**5,270**	2,014
61 – 90 days	**46**	550
Over 90 days	**942**	1,489
	150,217	262,584

The movements in the loss allowance are as follows:

	2022 HK$'000	2021 HK$'000
At 1st January	**16,285**	15,826
Decrease in loss allowance during the year	**(367)**	(327)
Exchange differences	**(1,347)**	786
At 31st December	**14,571**	16,285

The carrying amounts of trade receivables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Hong Kong dollars	**83,529**	204,643
Renminbi	**5,665**	23,970
US dollars	**60,653**	32,404
Euro	**370**	1,567
	150,217	262,584

The maximum credit risk exposure is the amount shown on the consolidated balance sheet.

23. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022 HK$'000	2021 HK$'000
Non-current		
Prepayments and deposits	1,986	1,061
Current		
Other receivables	35,525	32,088
Prepayments and deposits	26,932	47,763
	62,457	79,851
Loss allowance	(3,409)	(3,725)
	59,048	76,126
	61,034	77,187

The fair values of the other receivables and deposits are approximately the same as the carrying values.

The movements in the loss allowance are as follows:

	2022 HK$'000	2021 HK$'000
At 1st January	3,725	3,618
Exchange differences	(316)	107
At 31st December	3,409	3,725

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Equity and debt securities		
– Listed, Overseas	32	31
Wealth management products		
– Unlisted, Overseas	4,230	–
Market value of financial assets	4,262	31

The unlisted investments were made with creditworthy bank in the PRC. Other FVPL are presented within the section of operating activities as part of changes in working capital in the consolidated statement of cash flows (Note 32).

The fair value of quoted securities and investments are determined by reference to current bid prices in an active market.

25. DEPOSITS WITH BANKS

	2022 HK$'000	2021 HK$'000
Non-pledged	5,597	12,231

As at 31st December 2022 and 2021, the carrying amounts of the deposits with banks are denominated in Renminbi.

The effective interest rate on the deposits was 1.55% (2021: 1.77%) per annum.

As at 31st December 2022 and 2021, all deposits are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations impose restrictions on exporting capital from the PRC, other than through normal dividends.

26. CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	2022 HK$'000	2021 HK$'000
Cash at bank and in hand	**216,663**	268,309
Short-term bank deposits		
– pledged	**15,000**	15,000
– non-pledged	**15,334**	44,914
Total cash and cash equivalents	**246,997**	328,223
Client trust bank balances	**2,678,227**	3,439,418
	2,925,224	3,767,641

The carrying amounts of cash and bank balances and client trust bank balances are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Hong Kong dollars	**2,402,663**	2,941,188
Renminbi	**173,789**	368,291
US dollars	**346,705**	449,602
Euro	**2,067**	8,560
	2,925,224	3,767,641

Bank balances of HK$78,882,000 (2021: HK$110,889,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations impose restrictions on exporting capital from the PRC, other than through normal dividends.

The effective interest rate on short-term pledged deposits ranged from 3.14% to 5.13% (2021: 0.03% to 1.95%) per annum.

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated balance sheet the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective clients in the current liabilities section, on the grounds that the Group is liable for any misappropriation of the respective clients' deposits as stipulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Group is not allowed to use the clients' monies to settle its own obligations under the SFO. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated statement of cash flows.

27. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Due to stockbrokers and dealers	**31,431**	8,096
Due to stockbroking clients and clearing houses	**2,754,995**	3,659,629
Trade payables	**147,892**	175,446
Total trade payables	**2,934,318**	3,843,171
Contract liabilities	**53,180**	42,907
Accruals and other payables	**162,938**	200,571
	3,150,436	4,086,649

Revenue recognised that was included in the contract liabilities balance at the beginning of the period amounted to HK$18,977,000 (2021: HK$20,793,000).

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the trade and other payables are approximately the same as the carrying values.

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK$2,678,227,000 (2021: HK$3,439,418,000).

Trade and other payables are non-interest bearing except for the amount due to stockbroking clients placed in trust and segregated accounts with authorised institutions which bear interest at the rate with reference to the bank deposit savings rate.

No ageing analysis is disclosed for amounts due to stockbrokers, dealers, stockbroking clients and clearing houses as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

27. TRADE AND OTHER PAYABLES *(continued)*

The ageing analysis of the trade payables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0 – 30 days	7,133	88,787
31 – 60 days	8,500	2,973
61 – 90 days	1,260	1,486
Over 90 days	130,999	82,200
	147,892	175,446

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Hong Kong dollars	2,493,603	3,447,222
Renminbi	307,162	323,553
US dollars	327,864	298,958
Euro	21,807	16,916
	3,150,436	4,086,649

28. BORROWINGS

	2022 HK$'000	2021 HK$'000
Non-current		
Bank loans – secured	78,129	103,706
Other loan – unsecured	5,149	–
	83,278	103,706
Current		
Bank loans – secured	123,597	172,115
Other loan – unsecured	30,000	35,626
	153,597	207,741
	236,875	311,447

28. BORROWINGS *(continued)*

The borrowings were repayable as follows:

	Bank loans		Other loans	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**123,597**	172,115	**30,000**	35,626
Between 1 and 2 years	**29,107**	18,347	**5,149**	–
Between 2 and 5 years	**42,540**	70,939	**–**	–
Over 5 years	**6,482**	14,420	**–**	–
At 31st December	**201,726**	275,821	**35,149**	35,626

The Group has pledged properties of HK$149 million (2021: HK$165 million), investment properties of HK$303 million (2021: HK$336 million), leasehold land and land use rights of HK$29 million (2021: HK$31 million), properties held for sale of HK$98 million (2021: HK$117 million) and fixed deposits of approximately HK$15 million (2021: HK$15 million) to secure bank borrowings.

Bank borrowings of HK$Nil (2021: HK$48,000,000) were secured by certain listed securities pledged by the customers to the Group as margin loan collateral which had an aggregate fair value amounting to HK$Nil (2021: HK$365,923,000).

Bank borrowings are either repayable on demand or will mature and be repayable in January 2023 to December 2029 and bear floating interest rates. The weighted average effective interest rate at 31st December 2022 was 5.41% (2021: 3.10%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK$148,000,000 (2021: HK$196,000,000) and HK$88,875,000 (2021: HK$115,447,000) are denominated in Hong Kong dollars and Renminbi, respectively.

29. SHARE CAPITAL

	2022		2021	
	Number of shares (thousands)	**HK$'000**	Number of shares (thousands)	HK$'000
Ordinary shares, issued and fully paid:				
At beginning of the year	**1,551,055**	**1,197,482**	1,418,973	1,162,940
Issue of shares *(Note ii)*	**13,716**	**1,863**	132,082	34,542
At end of the year	**1,564,771**	**1,199,345**	1,551,055	1,197,482

Notes:

(i) *On 23rd May 2014, the shareholders of the Company approved a share option scheme (the "Scheme"). No share options were granted under the Scheme during the year. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.*

During the year, no share options were granted or exercised under the Scheme approved by the shareholders of the Company.

(ii) *On 7th January 2022, the Company completed an open offer on the basis of one new share of the Company for every eleven existing shares of the Company held on 15th December 2021 at a subscription price of HK$0.21 per share and issued 13,716,014 new shares.*

The transaction costs in relation to issue of shares of approximately HK$1,017,000 was debited to equity under share premium account during the year ended 31st December 2022.

30. RESERVES

	Attributable to shareholders of the Company					
	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As 1st January 2022	**38,426**	**12,334**	**11,944**	**57,323**	**1,167,434**	**1,287,461**
Loss for the year	**–**	**–**	**–**	**–**	**(55,501)**	**(55,501)**
Fair value loss on FVOCI	**–**	**–**	**(31,746)**	**–**	**–**	**(31,746)**
Currency translation differences	**–**	**–**	**–**	**(82,771)**	**–**	**(82,771)**
Total comprehensive loss	**–**	**–**	**(31,746)**	**(82,771)**	**(55,501)**	**(170,018)**
Transfer from retained earnings	**289**	**–**	**–**	**–**	**(289)**	**–**
	289	**–**	**–**	**–**	**(289)**	**–**
At 31st December 2022	**38,715**	**12,334**	**(19,802)**	**(25,448)**	**1,111,644**	**1,117,443**

	Attributable to shareholders of the Company					
	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As 1st January 2021	38,912	12,334	18,917	65,947	1,306,847	1,442,957
Loss for the year	–	–	–	–	(139,899)	(139,899)
Fair value loss on FVOCI	–	–	(6,973)	–	–	(6,973)
Currency translation differences	(620)	–	–	(8,624)	620	(8,624)
Total comprehensive loss	(620)	–	(6,973)	(8,624)	(139,279)	(155,496)
Transfer from retained earnings	134	–	–	–	(134)	–
	134	–	–	–	(134)	–
At 31st December 2021	38,426	12,334	11,944	57,323	1,167,434	1,287,461

Note: As at 31st December 2022, capital reserve mainly represents statutory reserves of the Group's subsidiaries.

31. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts, not to be recovered within twelve months, are as follows:

	2022	2021
	HK$'000	HK$'000
Deferred tax assets	**(204)**	(1,672)
Deferred tax liabilities	**60,836**	80,036
	60,632	78,364

The gross movements in the deferred taxation are as follows:

	2022	2021
	HK$'000	HK$'000
At 1st January	**78,364**	39,282
Recognised in the consolidated income statement *(Note 8(a))*	**(11,574)**	37,280
Exchange differences	**(6,158)**	1,802
At 31st December	**60,632**	78,364

31. DEFERRED TAXATION *(continued)*

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

The deferred tax liabilities represented the followings:

	Depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2022	**6,031**	**85,397**	**145**	**91,573**
Disposal of subsidiaries	**(5,523)**	**–**	**–**	**(5,523)**
Recognised in the consolidated income statement	**(91)**	**(12,810)**	**(86)**	**(12,987)**
Exchange differences	**–**	**(6,655)**	**(7)**	**(6,662)**
At 31st December 2022	**417**	**65,932**	**52**	**66,401**

	Depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2021	6,197	94,842	2,487	103,526
Recognised in the consolidated income statement	(166)	(11,344)	(2,416)	(13,926)
Exchange differences	–	1,899	74	1,973
At 31st December 2021	6,031	85,397	145	91,573

31. DEFERRED TAXATION *(continued)*

The deferred tax assets represented the followings:

	Tax losses HK$'000
At 1st January 2022	**13,209**
Disposal of subsidiaries	**(5,523)**
Recognised in the consolidated income statement	**(1,413)**
Exchange differences	**(504)**
At 31st December 2022	**5,769**

	Leases HK$'000	Tax losses HK$'000	Total HK$'000
At 1st January 2021	329	63,915	64,244
Recognised in the consolidated income statement	(329)	(50,877)	(51,206)
Exchange differences	–	171	171
At 31st December 2021	–	13,209	13,209

During the year ended 31st December 2022 and 2021, deferred income tax asset previously recognised amounting to HK$1,534,000 (2021: HK$58,442,000) is reversed. Management considered that it is no longer probable that sufficient taxable profit will be available in the adverse businesses to allow related previously recognised deferred income tax asset to be utilised.

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred tax benefits of approximately HK$201,934,000 (2021: HK$293,152,000) in respect of tax losses amounting to approximately HK$868,876,000 (2021: HK$1,423,522,000). Out of the total tax losses, approximately HK$57,788,000 (2021: HK$47,461,000) will expire within 5 years and the remaining can be carried forward indefinitely against future taxable income.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Reconciliation of loss before taxation to net cash (outflow)/inflow from operating activities

	2022 HK$'000	2021 HK$'000
Loss before taxation	**(63,813)**	(88,338)
Finance income	**(48,142)**	(17,696)
Finance costs	**15,289**	30,179
Net (gain)/loss on disposal of property, plant and equipment	**(12,194)**	75
Net gain on lease modification	**–**	(32,242)
Net gain on disposal of a subsidiary	**(32)**	(2,356)
Depreciation	**43,085**	104,722
Impairment of intangible assets	**–**	3,000
Net loss on disposal of investment properties	**129**	8,648
Fair value losses on investment properties	**30,730**	19,938
Amortisation of leasehold land and land use rights	**1,596**	1,651
Impairment of property, plant and equipment	**9,002**	6,953
Provision for obsolete stock	**36**	172
Net losses on impairment of financial assets	**2,325**	3,316
Operating (loss)/profit before working capital changes	**(21,989)**	38,022
Increase in inventories	**(43,566)**	(28,695)
Decrease/(increase) in loans and advances	**1,714**	(89,741)
Decrease in trade receivables	**112,524**	110,012
Decrease/(increase) in other receivables, prepayments and deposits	**30,107**	(427)
Decrease in finance lease receivables	**–**	3,429
Decrease/(increase) in financial assets at fair value through profit or loss	**23**	(7)
Decrease in trade and other payables	**(132,843)**	(8,701)
Net cash (outflow)/inflow from operating activities	**(54,030)**	23,892

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

Liabilities from financing activities

	2022 HK$'000	2021 HK$'000
At 1st January	**333,836**	575,730
Cash flows	**(77,859)**	(48,414)
Acquisition – leases	**19,007**	19,088
Modification – leases	**(22)**	(217,048)
Foreign exchange adjustments	**(10,494)**	4,480
At 31st December	**264,468**	333,836

33. CONTINGENT LIABILITIES

	2022 HK$'000	2021 HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note i)*	**8,888**	2,298

Notes:

(i) The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

(ii) As at 31st December 2022, the Group was still involved in a litigation for which the claimant demanded the Group for settlement of certain construction costs payable which had been fully accounted for by the Group in prior years. In addition, the claimant also demanded for certain penalty charges and related legal costs. Taking into account the latest legal advice, a provision amounting to HK$39 million was recognised in "other payable" as at 31st December 2022 (2021: HK$37 million).

34. COMMITMENTS

(a) Capital commitments for property, plant and equipment, leasehold land and land use rights and properties under development:

	2022 HK$'000	2021 HK$'000
Contracted but not provided for	**362,904**	418,596

(b) Commitments under operating leases

The future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	2022 HK$'000	2021 HK$'000
Not later than one year	**19,871**	20,772
Later than one year but not later than five years	**19,048**	12,062
More than five years	**6,309**	583
	45,228	33,417

35. RELATED PARTY TRANSACTIONS

(a) Details of the key management compensation has been disclosed in Note 12.

(b) As at 31st December 2022, loan from a related party of HK$30,000,000 (2021: HK$30,000,000) was interest bearing at 4% per annum, denominated in Hong Kong Dollars and repayable within 1 year. The relevant interest amount for the year amounted to HK$1,200,000 (2021: HK$424,000).

As at 31st December 2022, loan from a related party of $5,150,000 (2021: HK$5,626,000) was interest bearing at 7% per annum, denominated in Renminbi and repayable within 2 years. The relevant interest amount for the year amounted to HK$374,000 (2021: HK$388,000).

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including foreign exchange risk, interest rate risk and price risk). The Group has in place controls to manage these risks to an acceptable level without affecting its business. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall risk management function focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management of the Group is carried out by the credit committee and finance department of the Group. The top management and the credit committee approve the Group's financial risk management policies. Credit committee and finance department undertake both regular and ad hoc reviews of risk management controls and procedures which are reported to the top management.

(a) Credit risk analysis

Credit risk is managed on a group basis. The Group's credit risk mainly arises from loans and receivables, deposits with banks, client trust bank balances and cash and bank balances.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class and category of financial assets mentioned above. The Group has put in place policies to ensure that sales of goods and services and sales and lease of properties are made to customers with an appropriate credit history and the Group performs periodic credit evaluation of its customers. The directors are of the opinion that adequate loss allowance for trade and other receivables has been made in the consolidated financial statements.

The Group's cash at bank, bank deposits and client trust bank balances are placed with reputable banks. There were no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions. Management does not expect any of these institutions to fail to meets its obligations.

As at year end, the collaterals furnished by the margin clients for security of their loans and advances from the Group are mainly listed securities, the majority of which are listed in Hong Kong. The total market value of securities amounted to HK$5,057 million (2021: HK$5,847 million) and margin loans receivable amounted to HK$1,073 million (2021: HK$1,077 million).

36. FINANCIAL RISK MANAGEMENT *(continued)*

36.1 Financial risk factors *(continued)*

(a) ***Credit risk analysis*** *(continued)*

At 31st December 2022, the gross amount of amounts due from clearing houses of HK$93,123,000 (2021: HK$145,215,000) has been offset by amounts due to clearing houses of HK$150,432,000 (2021: HK$240,477,000), resulting in a net amount of HK$57,309,000 (2021: HK$95,262,000) recognised in the consolidated balance sheet.

The maximum exposure to credit risk before collateral held or other credit enhancements approximates to the carrying value.

None of the financial assets that are fully performing has been renegotiated in 2022 and 2021.

(i) Impairment of financial assets

To measure the expected credit losses, trade receivables of brokerage business and loans and advances have been grouped based on shared credit risk characteristics.

The expected loss rates are based on potential default rate over past 36 months and the corresponding historical credit losses experienced within this period. The expected loss rates are adjusted to reflect current and forward-looking information on pledged assets of brokerage clients.

To measure the expected credit losses using simplified approach, trade receivables of other businesses have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over past one year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For other financial assets at amortised cost, the expected credit loss is based on the 12-months expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is insignificant.

36. FINANCIAL RISK MANAGEMENT *(continued)*

36.1 Financial risk factors *(continued)*

(b) Liquidity risk analysis

Surplus cash is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities by choosing instruments with appropriate maturities or sufficient liquidity to meet operational needs. At the reporting date, the Group held cash at bank and in hand of HK$216,663,000 (2021: HK$268,309,000) that are expected to readily generate cash inflows for managing liquidity risk.

The following analysis shows the contractual maturity of non-derivative financial liabilities:

	Less than one year 2022 HK$'000	**More than one year 2022 HK$'000**
Borrowings and interest payable	**159,342**	**92,098**
Trade and other payables	**2,957,108**	**–**
Lease payables	**14,489**	**14,852**
Financial guarantee contracts	**8,888**	**–**
	3,139,827	**106,950**

	Less than one year 2021 HK$'000	More than one year 2021 HK$'000
Borrowings and interest payable	214,215	118,442
Trade and other payables	3,884,917	–
Lease payables	10,038	11,250
Financial guarantee contracts	2,298	–
	4,111,468	129,692

The amounts disclosed above are the contractual undiscounted cash flows.

36. FINANCIAL RISK MANAGEMENT *(continued)*

36.1 Financial risk factors *(continued)*

(c) Market risk analysis – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. Revenue and majority of its operating costs and cost of sales are in Hong Kong dollars and Renminbi basis. Save as disclosed below, no significant foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations is expected in the foreseeable future. The Group does not use any derivative financial instruments to hedge its foreign exchange risk.

At 31st December 2022, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollars, with all other variables held constant, post-tax loss for the year would have been HK$3,860,000 (2021: HK$12,908,000) lower/higher, mainly as a result of foreign exchange gain on translation of Renminbi-denominated bank deposits. There is no significant impact on equity as most of the FVOCI are denominated in Hong Kong dollars.

In determining the percentage of the currency fluctuation, the Group has considered the economic environments in which it operates.

(d) Market risk analysis – interest rate risk

The Group's significant interest-bearing assets are margin loans, cash at bank and bank deposits, and client trust bank balances, where the interest rate is low in the current environment.

The Group is also exposed to changes in interest rates which arises from its bank loans and amounts due to stockbroking clients. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances and deposits held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's practice is to maintain a reasonable balance between variable and fixed rate borrowings. The Group has not used any derivatives to hedge its exposure to interest rate risk.

At 31st December 2022, if interest rates on margin loans, cash at bank, bank deposits and bank loans had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$4,881,000 (2021: HK$5,030,000) lower/higher. There is no impact on equity.

36. FINANCIAL RISK MANAGEMENT *(continued)*

36.1 Financial risk factors *(continued)*

(e) Market risk analysis – price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as FVOCI or as FVPL. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's equity investments for trading purpose are mainly publicly traded or quoted in Hong Kong and the PRC. The Group's equity investments classified as FVOCI are mainly unlisted equity securities which the fair values were determined with reference to published price quotations in an active market of the underlying investments held by the investee.

The Group's equity exposures are mainly in long-term equity investments, which are reported as "FVOCI" set out in Note 19 to the consolidated financial statements. Equities held for trading purpose are included under "FVPL" set out in Note 24 to the consolidated financial statements.

At 31st December 2022, if the listed price, quoted price or fair value of each equity investment classified as FVPL and FVOCI had appreciated/depreciated by 10%, with all other variables held constant, post-tax loss for the year would have been HK$426,000 (2021: HK$3,000) lower/higher, mainly as a result of unrealised gains/losses on equity securities classified as FVPL. Equity would have been HK$4,060,000 (2021: HK$7,235,000) higher/lower, arising from gain/loss on equity securities classified as FVOCI.

36.2 Capital risk management

The Group's objectives when managing capital are to maintain a strong capital base to support the development of its business and to meet regulatory capital requirement at all times. The Group recognises the impact on shareholders' returns of the level of equity capital employed within the Group and seeks to maintain a balance between the returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Capital of the Group for regulatory and capital management purpose includes share capital, retained earnings, other reserves and subordinated liabilities. Capital is allocated to various business activities of the Group depending on the risk taken by each business unit and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame.

The Group monitors capital on the basis of the gearing ratio, which is calculated as total debts divided by total shareholders' funds. The Group also monitors capital base of its subsidiaries to ensure compliance with relevant regulatory capital requirements of SFO. Management strives to maintain an optimal capital structure so as to achieve the Group's capital risk management objective as stated above. To achieve this, the Group may adjust the amount of dividend payout and other relevant factors.

36. FINANCIAL RISK MANAGEMENT *(continued)*

36.2 Capital risk management *(continued)*

The gearing ratios at 31st December 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
Total borrowings *(Note 28)*	**236,875**	311,447
Total equity	**2,380,013**	2,558,791
Gearing ratio	**10.0%**	12.2%

36.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents financial assets that are measured at fair value at 31st December 2022 and 2021. See Note 16 for disclosures of the investment properties that are measured at fair value.

	Level 1 2022 HK$'000	Level 2 2022 HK$'000	Total 2022 HK$'000
FVPL			
– listed securities	**32**	**–**	**32**
– unlisted wealth management products	**–**	**4,230**	**4,230**
FVOCI			
– unlisted securities	**–**	**40,604**	**40,604**
	32	**44,834**	**44,866**

36. FINANCIAL RISK MANAGEMENT *(continued)*

36.3 Fair value estimation *(continued)*

	Level 1 2021 HK$'000	Level 2 2021 HK$'000	Total 2021 HK$'000
FVPL			
– listed securities	31	–	31
FVOCI			
– unlisted securities	–	72,350	72,350
	31	72,350	72,381

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

37. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		–	9
Investments in subsidiaries		203,849	292,512
Financial assets at fair value through other comprehensive income		40,604	72,350
Total non-current assets		244,453	364,871
Current assets			
Other receivables, prepayments and deposits		816	3,771
Amounts due from subsidiaries		1,321,390	1,443,905
Cash and cash equivalents		15,517	27,546
Total current assets		1,337,723	1,475,222
Current liabilities			
Accruals and other payables		7,794	20,913
Borrowings		118,000	118,000
Amounts due to subsidiaries		137,309	159,369
Total current liabilities		263,103	298,282
Net current assets		1,074,620	1,176,940
Net assets		1,319,073	1,541,811
Equity			
Share capital		1,199,345	1,197,482
Reserves	*37(b)*	119,728	344,329
Total equity		1,319,073	1,541,811

The balance sheet of the Company was approved by the Board of Directors on 24th March 2023 and was signed on its behalf

LO Yuen Yat
Director

YEUNG Wai Kin
Director

37. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

(b) Reserves movement of the Company

	Capital reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2022	**2,104**	**11,944**	**330,281**	**344,329**
Loss for the year	**–**	**–**	**(192,855)**	**(192,855)**
Fair value loss on FVOCI	**–**	**(31,746)**	**–**	**(31,746)**
At 31st December 2022	**2,104**	**(19,802)**	**137,426**	**119,728**

	Capital reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2021	2,104	18,917	412,810	433,831
Loss for the year	–	–	(82,529)	(82,529)
Fair value loss on FVOCI	–	(6,973)	–	(6,973)
At 31st December 2021	2,104	11,944	330,281	344,329

38. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board on 24th March 2023.