KOALA Financial Group Limited
樹 熊 金 融 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8226

Annual Report 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities trade on GEM.

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*This report, for which the directors (the "**Directors**") of KOALA Financial Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

CHAIRLADY

Ms. Kwan Kar Ching

DIRECTORS

Executive Directors

Ms. Hsin Yi-Chin
Ms. Tam Chik Yan

Non-executive Director

Ms. Kwan Kar Ching

Independent Non-executive Directors

Mr. Hung Cho Sing
Mr. Luk Kin Ting
Mr. Ng Wah Leung

COMPANY SECRETARY

Mr. Tse Chi Shing

AUDIT COMMITTEE

Mr. Ng Wah Leung *(Committee Chairman)*
Mr. Hung Cho Sing
Mr. Luk Kin Ting

NOMINATION COMMITTEE

Ms. Kwan Kar Ching *(Committee Chairlady)*
Mr. Hung Cho Sing
Mr. Ng Wah Leung

REMUNERATION COMMITTEE

Mr. Ng Wah Leung *(Committee Chairman)*
Ms. Kwan Kar Ching
Mr. Hung Cho Sing

AUTHORISED REPRESENTATIVES

Ms. Kwan Kar Ching
Mr. Tse Chi Shing

COMPLIANCE OFFICER

Ms. Kwan Kar Ching

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 01-02, 13th Floor
Everbright Centre
108 Gloucester Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited

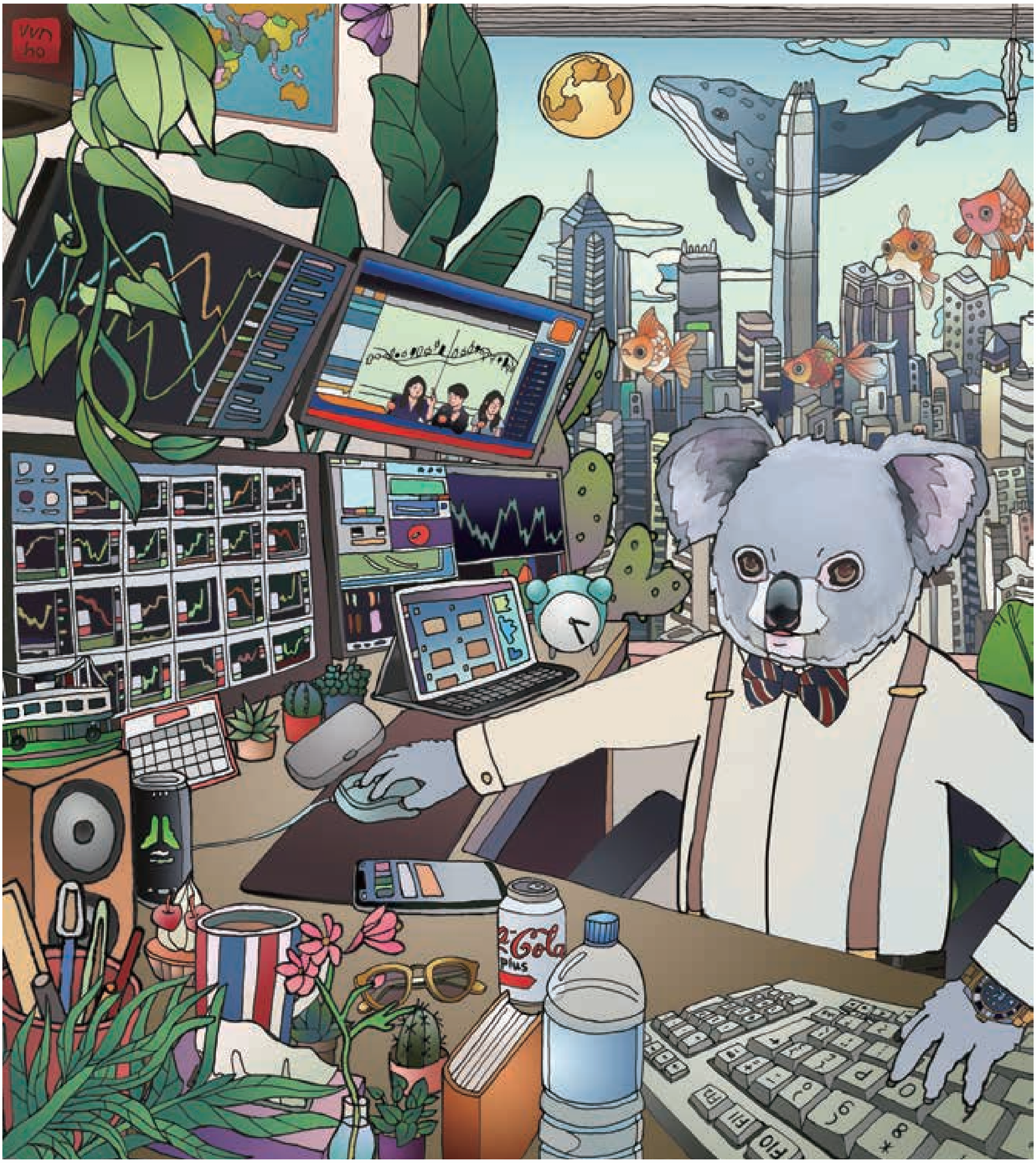
LISTING INFORMATION

GEM of the Stock of Exchange of Hong Kong Limited
Stock code: 8226

COMPANY'S WEBSITE

www.koala8226.com.hk

HIGHLIGHTS



▲"Koala Trader" by Vivian Ho

WHO WE ARE

KOALA Financial Group Limited (stock code: 8226), was listed on the GEM of The Stock Exchange. We provide a wide range of financial services to our clients including (i) securities brokerage; (ii) underwriting and placements; (iii) asset management; (iv) money lending; (v) securities investment and (vi) properties investment through our subsidiaries. After serving the market with years of successful track record, KOALA Financial Group has gradually established a firm foundation in Hong Kong, and has become one of the major full-service financial groups in Hong Kong.

HIGHLIGHTS (Continued)

PRINCIPAL SUBSIDIARIES

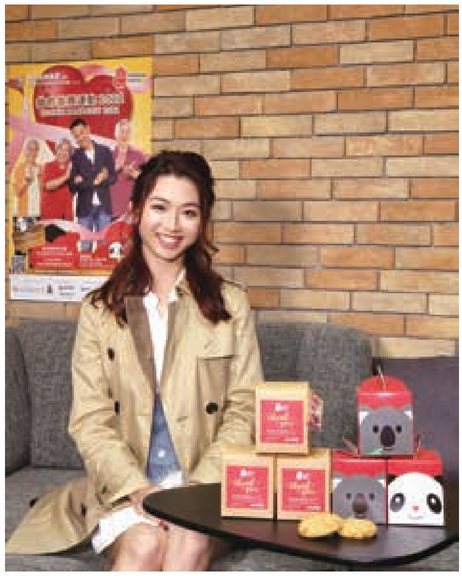
- KOALA SECURITIES LIMITED
- KOALA CAPITAL MANAGEMENT LIMITED
- KOALA LAND LIMITED
- HONEST SMART INVESTMENT LIMITED
- HONEST SMART FINANCE LIMITED

CUSTOMER SERVICE CENTRE

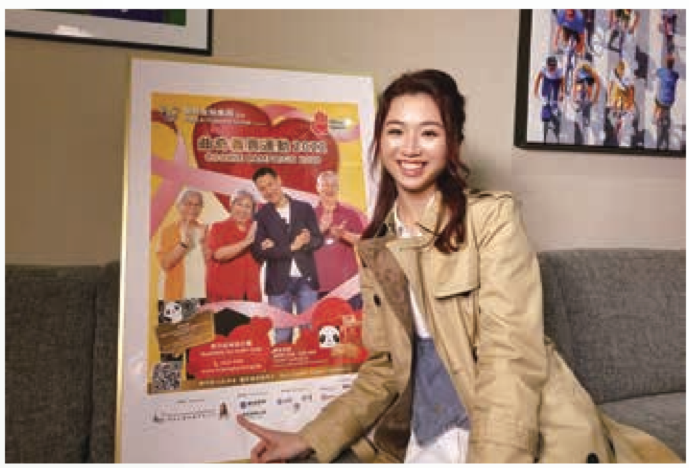
"Units 01-02, 13th Floor, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong"

MARKETING EFFORTS

In order to raise our brand awareness, we are continuously participating or sponsoring in investment related events such as seminars and other brand building activities. The Group has sponsored certain online financial media such as "uptvhk" (uptv財經) and "Sun channel" which have significant number of subscribers and followers. In addition, the Group has also sponsored in certain programs of "Metro Finance" (新城財經台) (http://metroradio.com.hk/MetroFinance), which is a long-standing, popular finance radio channel for audience in Hong Kong.

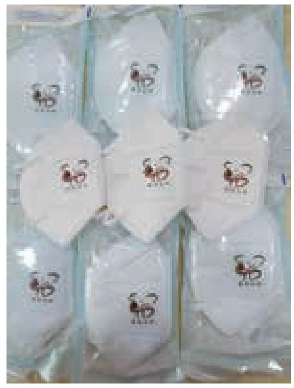


Apart from these, we have engaged well-known artists to serve as the spokesperson of the Group from time to time. The Group is also launching different events such as advertisements, PR campaign and sponsorship to expand our brand exposure. We believe all of these events could broaden and diversify our client base for constant business inflow to maintain sustainable business.



We invited Vivian Ho, a post-90s young artist, to design an illustration, the "Koala Trader" (《樹熊交易員》) for us. Ho's works are mainly large scale oil and pastel paintings and digital illustrations. Her unique style is rich in color, and demonstrates her sensitivity and lively personality. This collaboration is to support the work of local art and to enhance the brand's dynamic image.

Due to the keen demand for surgical masks caused by the COVID-19, the Group had distributed KN95 face masks to our customers and the people in need. We believe it could reinforce our positive image amongst the public.



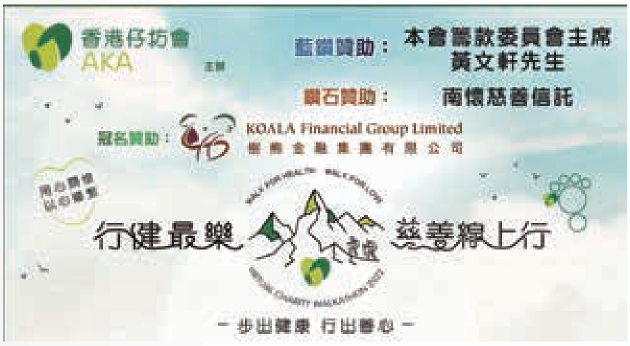
During the year under review, we were awarded the Caring Company Logo by The Hong Kong Council of Social Service, in recognition of our commitment in Caring for the Community, Caring for the Employees and Caring for the Environment over the past years.

CHARITY

Since the Group's establishment, we are committed to contribute to the community by heart. During the year under review, we have actively participated in following activities:

"Cookie Campaign 2022", by Helping Hand

The Group was appointed as the principal sponsor of "Cookie Campaign 2022". Founded in 1978, Helping Hand is a charitable organisation engaged in providing care, housing and recreational facilities, including care homes, housing for the elderly and a holiday resort centre cum day care unit, for the needy elderly of Hong Kong and the People's Republic of China. All funds raised through the "Cookie Campaign" will be used for supporting the running costs of our elderly homes and services. The Cookie Campaign 2022 was held from February 2022 to April 2022.

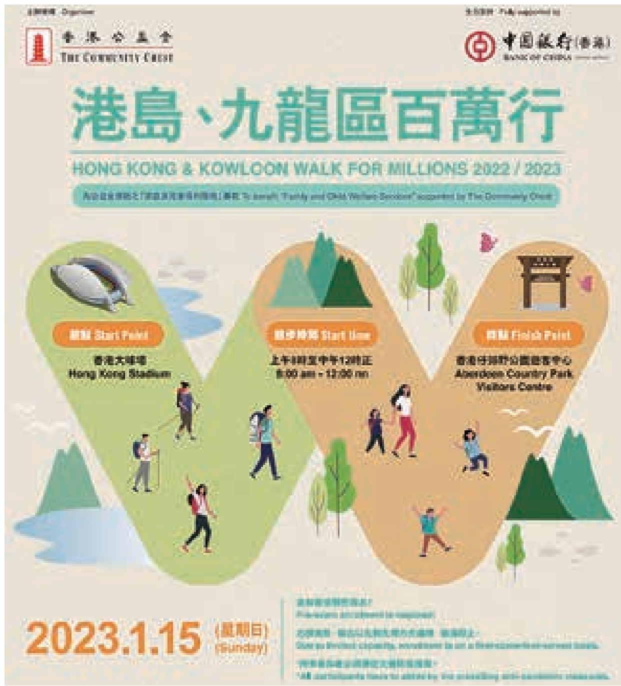


"Virtual Charity Walkathon 2022", by AKA

The Group was appointed as the title sponsor of "Virtual Charity Walkathon 2022" (『行健最樂』慈善線上行 2022). AKA is a sizable social services organisation in the southern district, serving children, teenagers, families, and senior citizens. The campaign encourages people to exercise at home during the epidemic and was held on March 2022.

"Hong Kong & Kowloon Walk for Millions 2022/2023", by The Community Chest

For two years in a row, the Community Chest's Walk for Millions had to be held virtually due to COVID-19. The Group was invited as a VIP team this year. The campaign was held on Sunday, 15 January 2023. The route starts from Hong Kong Stadium and finishes at Aberdeen Country Park Visitors Centre. The Group's staff has actively taken part to raise funds for Family and Child Welfare Services supported by the Chest.



FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets, liabilities and equity attributable to owners of the Company:

CONSOLIDATED RESULTS OF THE GROUP

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Revenue	41,649	38,957	23,372	25,862	**23,499**
Cost of services	(2,799)	(2,261)	(1,686)	(1,553)	**(1,846)**
Gross profit	38,850	36,696	21,686	24,309	**21,653**
Other income, gains and losses, net	5,719	1,579	2,756	90,698	**(77,500)**
Selling and distribution expenses	(78)	(53)	(748)	(450)	**(450)**
Administrative expenses	(25,016)	(24,782)	(16,274)	(14,619)	**(12,910)**
Finance costs	(3,350)	(1,057)	(1,600)	(1,911)	**(135)**
Profit/(loss) before tax	16,125	12,383	5,820	98,027	**(69,342)**
Income tax	(2,849)	(2,321)	(819)	(15,365)	**11,470**
Profit/(loss) for the year	13,276	10,062	5,001	82,662	**(57,872)**
Non-controlling interests	(1,651)	(1,016)	(737)	(1,885)	**(1,551)**
Profit/(loss) attributable to owners of the Company	11,625	9,046	4,264	80,777	**(59,423)**

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Total assets	419,122	378,907	416,137	493,619	**478,246**
Total liabilities	(161,557)	(111,280)	(143,509)	(130,158)	**(91,241)**
Total assets less total liabilities	257,565	267,627	272,628	363,461	**387,005**
Non-controlling interests	(7,026)	(8,042)	(8,779)	(10,413)	**(8,001)**
Equity attributable to owners of the Company	250,539	259,585	263,849	353,048	**379,004**

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board of the Directors (the "**Board**") of KOALA Financial Group Limited and its subsidiaries (collectively, the "**Group**"), I present the annual report of the Group for the year ended 31 December 2022.

OVERVIEW OF FINAL RESULTS

The Group is principally engaged in securities brokerage, share placements, underwriting services and money lending service.

The Group recorded a net loss of approximately HK$57.9 million for the year ended 31 December 2022, representing a significantly decrease as compared with a net profit of approximately HK$82.7 million for the same period of 2021. Such drastically decrease on net profit was primarily attributed to the realised loss on the listed securities of approximately HK$79.6 recognised in this year and the fair value gain on the listed securities of approximately HK$85.3 million recognised in last year.

OVERVIEW OF OUR BUSINESSES

(i) Financial services

This year has been a year of significant challenge for Hong Kong stock market. The performance of the Group's financial service segment was vulnerable to various external factors including COVID-19 pandemic, global geopolitical conflicts and monetary policies on the world's major central banks. Our securities brokerage income and the placing and underwriting commission income recorded a decrease, whilst the interest income from margin financing business was benefited by the raising in interest rate during the year. Despite this, we will persistently work towards becoming an all-rounded financial service company by focusing on expanding the scope of financial services and cultivating new clients for long term growth.

(ii) Margin financing

During these several years, we had been improving the capacity of the margin financing business. With the effect of the increase in interest rate, our interest income from margin financing service was increased 59.4% to approximately HK$10.0 million (2021: HK$6.2 million) for the year. In the foreseeable future, we will continue to allocate resource to the margin financing business and expect such segment will become the major growth drivers to us.

(iii) Money lending

The outbreak of the COVID-19 had further worsened the economy, and heightened volatility and risks. The preventive measures imposed by the government to tackle the spread of the coronavirus had disrupted the operations of our money lending business, for example, increased difficulty in 1) interacting or soliciting with customers on a face-to-face basis; and 2) conducting proper and timely due diligence on the risk profile or collateral of the borrowers. Despite that, we will continue to monitor the credit risk exposure of the Group and adopt a prudent and conservative approach in assessing and reviewing each of the borrowings.

(iv) Securities investment

We have conducted a series of on-market transactions to dispose all of the investment in Hong Kong Aerospace Technology Group Limited (stock code: 1725) at the average price HK$4.4 per share on 29 November 2022. Though the average acquisition cost was HK$1.3 per share and the market price was subsequently surfed to HK$27.3 per share at the end of 2021, we had recognised a significant fair value gain of approximately HK$83.6 million in the last year. However, we have recognised a significant realised loss on such investment of approximately HK$73.9 million in this year, due to the market price finally dropped to HK$4.4 per share at the date of the disposal.

(v) Asset management

KOALA Capital Management Limited
樹 熊 資 本 管 理 有 限 公 司
www.kcmasia.com

As a move to expand the diversity of the business, we had commenced the new segment of asset management business through a subsidiary, namely KOALA Capital Management Limited (樹熊資本管理有限公司), which is licensed to carry on Type 9 (Asset Management) regulated activity under the Securities and Futures Ordinance. Its objective is to generate good risk-adjusted absolute returns over the medium to long term for investors. Though the operation was at the start-up stage, we expect it could provide some sources of stable and diversified income over the long term.

LOOKING AHEAD

The Board is of the view that the general outlook of the industry and the business environment in which the Group operates remain challenging in the coming year. Nevertheless, we will continue to strictly control risks, strengthen internal management, integrate our dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

APPRECIATION

I would like to express gratitude to the Group's staff for their unwavering dedication and hard work during the year. At last but not least, I would like to extend my thanks, to all of our business partners, customers and shareholders for their unflagging support.

Kwan Kar Ching
Chairlady

Hong Kong, 21 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group's businesses were organised in four operation's segments namely (i) Securities Brokerage Business; (ii) Money Lending Business; (iii) Securities Investment Business and (iv) Properties Investment Business.

Securities Brokerage Business

KOALA Securities Limited
樹 熊 證 券 有 限 公 司
www.koalasecurities.com.hk

The Group carries out the securities brokerage business through its subsidiary, namely KOALA Securities Limited (樹熊證券有限公司) ("**KOALA Securities**"), which is to conduct Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance ("**SFO**"). KOALA Securities possesses the right to be eligible to trade on or through the Stock Exchange and is a participant of the Hong Kong Securities Clearing Company Limited.

Founded in 2015, KOALA Securities is a well-established integrated securities broker in the Hong Kong financial services industry. It primarily provides (i) brokerage services, (ii) margin and short-term IPO financing, and (iii) placing and underwriting services to its customers.

The revenue breakdown for the years ended 31 December 2021 and 2022 are as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue from brokerage services	**2,658**	3,767
Revenue from margin financing	**9,958**	6,247
Revenue from placing and underwriting	**6,479**	9,161
	19,095	19,175

With a view to further improving the revenue from the brokerage and margin financing services, during the year, the Group has enlarged the capacity of the margin financing service by reserving more funds to customers who wish to purchase securities on a margin basis. The Board expects this segment will become one of the major growth drivers to the Group.

Revenue from this business segment during the year was approximately HK$19.1 million, representing a slightly decrease as compared to approximately HK$19.2 million in the corresponding period of 2021. It accounted for approximately 81.3% (2021: 74.1%) of the Group's revenue during the year.

BUSINESS REVIEW (Continued)

Money Lending Business

The Group carries out the money lending business through its wholly-owned subsidiary, namely Honest Smart Finance Limited (傑誠財務有限公司) ("**Honest Smart Finance**"). It is a money lender licenced in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

www.hsfin.hk

In developing the money lending business, Honest Smart Finance provides various loan products to borrowers, which mainly include:

(a) Personal loans, which are offered to individual customers to meet their personal financial needs; and

(b) Corporate loans, which are offered to corporate customers to fulfill their short and long term capital needs.

Through 1) our brand developed in certain online financial media, 2) proactively approaching by our management and 3) referrals from existing customers, Honest Smart Finance would identify the potential customers.

The source of funds of the Honest Smart Finance is mainly from the Groups' internal financing, the Board expect that this business activity can generate additional return on the group idle funds from time to time.

The borrowers' breakdown for the years ended 31 December 2021 and 2022 are as follows:

	2022	2021
Personal loans		
Number of personal loans (per person)	**16**	14
Outstanding principal of personal loans (millions)	**36.0**	26.4
Range of interest rates (per annum)	**3.5% – 36.0%**	3.5% – 36.0
Corporate loans		
Number of corporate loans (per company)	**5**	4
Outstanding principal of corporate loans (millions)	**9.4**	8.0
Range of interest rates (per annum)	**12.0% – 24.0%**	12.0% – 36.0%

Honest Smart Finance will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by its senior management.

The outbreak of the coronavirus had further worsened the economy, and heightened volatility and risks. Honest Smart Finance has adopted more cautious and prudent approach in the assessments and approval of new loans or renewal of existing loans in order to mitigate its credit risk.

During the year, the Group recorded loan interest income of approximately HK$3.9 million (2021: HK$6.3 million) from granting loans to both corporate and individual clients. It accounted for approximately 16.6% (2021: 24.3%) of the Group's revenue during the year. The loans and interests receivable as at 31 December 2022 was HK$45.9 million (2021: HK$37.4 million). During the year, the Group did not record any doubtful or bad debt in its money leading activities.

BUSINESS REVIEW (Continued)

Money Lending Business (Continued)

Based on the impairment assessment for the year ended 31 December 2022, the Group made provision for impairment of approximately HK$2.7 million. In particular, the outstanding amounts of the following borrowers were pasted due and provided in full:

Identities of client	Relationship with the Group	Principal amount HK$'000	Date of loan started	Interest rate per annum	Date of Maturity	Collateral and/or guarantee obtained	Outstanding amount HK$'000	Provision for impairment HK$'000	Outstanding status
Client A	Independent third party	10,000.00	2019-08-15	36%	2020-08-14	Nil	1,180.00	1,180.00	The interest payments beyond the maturity were received and part of principal was repaid.
Client B	Independent third party	2,000.00	2021-07-09	12%	2022-01-10	Nil	1,200.00	1,200.00	The interest payments beyond the maturity were received and part of principal was repaid.

As at 31 December 2022, the amounts of loans receivables due from the largest borrower and the five largest borrowers were HK$5,000,000 (11% to the total loan receivables) (2021: HK$3,120,000 (9.1% to the total loan receivables)) and HK$23,500,000 (51.5% to the total loan receivables) (2021: HK$14,320,000 (41.6% to the total loan receivables)) respectively.

Details of the Group's loans receivables are stated in Note 20 to the consolidated financial statements.

Details of the internal control procedures are set out in the section headed "Internal Control Procedures on Money Lending Business" below.

Securities Investment Business

The Group commenced the securities investment business in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions, with the goal to generate additional investment returns on available funds of the Company from time to time.

As at 31 December 2022, the Group managed a portfolio of listed equity investment with fair value of approximately HK$42.7 million (2021: HK$126.4 million) which are classified as held-for-trading investments. During the year, the Group recorded a loss on fair value change of listed equity investments of approximately HK$0.5 million (2021: gain of approximately HK$85.3 million) and a realised loss of approximately HK$79.6 million (2021: gain of approximately HK$11.1 million).

BUSINESS REVIEW (Continued)

Securities Investment Business (Continued)

Disclosable transaction – Aerospace Technology Shares

Reference is made to the announcement of the Company dated 2 December 2022 in relation to the disposal of listed securities. The Group disposed an aggregate of 3,215,000 shares of Hong Kong Aerospace Technology Group Limited ("**Aerospace Technology Shares**") in the open market. The proceeds and accumulated costs are set out below:

	HK$'000		*HK$'000*
Proceeds		Accumulated Costs	
– Sale proceeds	14.3 million	– Historical cost	4.3 million
– Transaction cost	(0.3 million)	– Change in fair value recognised	83.6 million
	14.0 million		87.9 million

During the year, the Group recognised a realised loss of HK$73.9 million from such disposal. The taxation expenses of approximately HK$12.2 million were credited due to the realisation on such investment loss.

As at 31 December 2022, the Group did not hold any Aerospace Technology Shares.

Properties Investment Business

In the third quarter of 2016, the Group had commenced its properties investment business and acquired certain commercial property in Hong Kong for investment purpose. The Group may lease out its investment properties for recurring rental income, which generates stable rental income to the Group.

In order to further expand the portfolio of investment properties of the Group, the Board is proactively identifying suitable commercial properties in Hong Kong, while it is also seeking the opportunities to expand the coverage to retail and industrial properties in Hong Kong, so as to diversify its investment properties portfolio.

As at 31 December 2022, the fair value of the investment properties amounted to approximately HK$18.0 million (2021: HK$18.5 million).

During the year, the rental income was approximately HK$0.5 million (2021: HK$0.4 million). It accounted for approximately 2.1% (2021: 1.6%) of the Group's revenue during the year.

FINANCIAL REVIEW

For the year ended 31 December 2022, the revenue of the Group decreased to approximately HK$23.5 million (2021: HK$25.9 million), representing a decrease of approximately 9.3% when compared with that of 2021. The reason for the decrease in revenue was primarily attributable to the decrease of segmental revenue from the money lending business from approximately HK$6.3 million for the last year to approximately HK$3.9 million for this year.

For the year ended 31 December 2022, the Group recorded a realised loss on sale of listed securities of approximately HK$79.6 million as compared to the gain of approximately HK$11.1 million for the same corresponding period in 2021. The Group recognised a loss on disposal of the investment in Hong Kong Aerospace Technology Group Limited (stock code: 1725) of approximately HK$73.9 during the year.

For the year ended 31 December 2022, the Group recorded a fair value loss on listed securities of approximately HK$0.5 million as compared to the gain of approximately HK$85.3 million for the same corresponding period in 2021.

For the year ended 31 December 2022, the Group reversed an impairment loss of approximately HK$2.3 million (2021: provision for impairment loss of HK$5.0 million) on some particular borrowers on a prudent basis after reviewing their financial positions.

Due to the above reasons, the Group recorded a net loss of approximately HK$57.9 million for the year ended 31 December 2022, representing a decrease as compared with a net profit of approximately HK$82.7 million for the same period of 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2022, the Group's major business operations took place in Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 31 December 2022, the Group had cash and bank balances of approximately HK$161.2 million (2021: HK$123.5 million).

As at 31 December 2022, the Group's total indebtedness comprised of corporate bonds payable of approximately HK$10.0 million (2021: HK$9.9 million), lease liabilities of approximately HK$0.2 million (2021: HK$2.6 million) and no other borrowing (2021: HK$10.0 million).

Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 18 March 2021, every twenty issued and unissued shares of the Company of HK$0.01 each were consolidated into one consolidated share of the Company of HK$0.2 each with effective on 22 March 2021.

As at 31 December 2022, the Group's outstanding number of issued shares of HK$0.20 each was 417,503,991 shares (2021: 139,167,997 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total equity, as at 31 December 2022 was 2.6% (2021: 6.2%).

FUNDRAISING ACTIVITIES AND USE OF PROCEEDS

Rights Issue

On 29 August 2022, the Company has completed the rights issue (the "**Rights Issue**") and issued 278,335,994 new shares at the subscription price of HK$0.3 per rights share on the basis of two rights shares for every one existing shares to the qualifying shareholders. Details of the Rights Issue are set out in the Company's prospectus dated 5 August 2022.

The net proceeds from the Rights Issue were approximately HK$81.4 million. The intended and the actual use of the proceeds under the Rights Issue as of 31 December 2022 are set out below:

Intended use of the proceeds	Actual use of the proceeds from the Completion to 31 December 2022
Approximately HK$72.0 million for the expansion of the Group's margin financing business	Have not yet applied. (The Board expects that the proceed could be applied on or before December 2023.)
Approximately HK$9.4 million for the general working capital of the Group	Have been applied as intended.

Open Offer

On 20 February 2017, the Company has completed the open offer (the "**Open Offer**") and issued 819,014,723 new shares at the subscription price of HK$0.14 per offer share on the basis of one offer share for every two shares in issue. Details of the Open Offer are set out in the Company's prospectus dated 25 January 2017.

The net proceeds from the Open Offer were approximately HK$109.2 million. The intended and the actual use of the proceeds under the Open Offer as of 31 December 2022 are set out below:

Intended use of the proceeds	Actual use of the proceeds from the Completion to 31 December 2022
Approximately HK$70.0 million for the development of securities business	Have been applied as intended.
Approximately HK$20.0 million for the development of money lending business	Have been applied as intended.
Approximately HK$19.2 million for general working capital of the Group and/or investment opportunities as may be identified from time to time	Have been applied as intended.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021 and 2022, the Group did not have any significant capital commitments.

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's transactions were mainly denominated in Hong Kong dollars. The Board do not consider that the Group was significantly exposed to any foreign currency exchange risk.

PLEDGE OF ASSETS

As at 31 December 2021 and 2022, the Group did not have any substantial pledge of assets.

INTERNAL CONTROL PROCEDURES ON MONEY LENDING BUSINESS

Honest Smart Finance has implemented the following internal control measures in carrying out the Money Lending Business:

Credit risk assessment of borrowers

Credit officers are mainly responsible for conducting credit assessment for applicants for the loans. In assessing applicant's creditworthiness, the focus is on the applicant's background including occupation, financial condition, asset proof and credit history. Besides, the credit officer will also take into account any collateral and security offered. The credit assessment will then be reported to the senior management for final approval.

Steps including:
- "Know-your-client" procedure
- Due diligence on the repayment ability, credit history and litigation involved (if any)
- Assessing the value of the collateral (if any)
- Ordering credit reports (if needed)
- Instructing search agents to perform litigation and bankruptcy/insolvency searches (if needed)

For better management of the credit risk and credit operations, the Board has designated the executive directors of the Company, who have full authority to handle all credit related matters of the Money Lending Business. Their primary duties are, among other things, to approve and oversee credit policy and to monitor the loan portfolio. Regular meetings will be held to review the bad and doubtful debt provision report. The credit policy is subject to the review and amendments by the senior management from time to time in line with changes in market environment.

INTERNAL CONTROL PROCEDURES ON MONEY LENDING BUSINESS (Continued)

Mechanism in determining loan terms

When determining the terms of a loan, the senior management will consider, among other things, the cost of providing a particular loan, the credit and other business risks of the loan, the expected rates of return of the loan, the general market conditions, the market position, the prevailing market interest rates and the interest rates charged by competitors for loan of that amount and to loan applicant with such background.

The interest rates offered to individual borrower are subject to the following factors: 1) the borrower's historical credit record; 2) the quality and value of the pledged collateral, if any; 3) the risk and return assessment on the borrower; and 4) the business judgement of the credit officer and the senior management on a discretionary basis.

Approval process for granting loans

The application together with the results from the credit and risk assessment will then be reviewed and approved by the senior management. If the senior management considers that the loan applicant has good repayment ability, the loan will be approved. If the senior management considers the loan application has mediocre repayment ability, but is still within the acceptable risk level, it may still approve the loan application but will impose a higher interest rate and/or require security/collateral of higher value to compensate for the additional risk. If the senior management considers that the credit risk is beyond the acceptable level, it will reject the loan application.

Monitoring loan repayment and recovery

Senior management will closely monitor the loan portfolio and require team members to present reports for inspection by the senior management regularly.

For secured loans, if it is noted that the value of the collateral is insufficient to cover the risk exposure or the actual loan-to-collateral value ratio with respect to any loan advanced has reached or exceeded acceptable level, Honest Smart Finance may require the borrower to 1) provide additional collateral and/or security, 2) partially repay the outstanding loan or 3) realise the value of the collateral in order to bring the loan-to-collateral value ratio back to acceptable level.

For unsecured loan, the senior management will conduct periodical meeting to discuss and review the loan portfolio which remains outstanding. If it is noted that there is a material deterioration in the borrowers' financial condition, Honest Smart Finance may require repayment from the borrower.

INTERNAL CONTROL PROCEDURES ON MONEY LENDING BUSINESS (Continued)

Taking actions on delinquent loans

When there is a default in loan repayment or payment of instalment, the credit officer will firstly contact the borrower to enquire the reasons for the default. Depending on the reasons given by the borrower to the credit officer, after consultation with the senior management and considering the loan-to-collateral value ratio of the loan (including interest) that is in default, Honest Smart Finance may grant some time tolerance.

Where the reason(s) offered for default in loan repayment or interest payment are unacceptable to the senior management or time tolerance from Honest Smart Finance has not resulted in the default being rectified, Honest Smart Finance will send written demand to the borrower. A settlement proposal would be negotiated between the borrower and the credit officer and to be approved by the senior management.

In the event that the borrower fails to respond to the settlement proposal, Honest Smart Finance may appoint an external debt collection service provider or take appropriate legal actions for debts which have become overdue as its last resort.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2022, the Group had about 17 (2021: 19) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK$5.2 million (2021: HK$6.2 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Ms. Hsin Yi-Chin ("Ms. Hsin"), aged 36, was appointed as an executive Director in April 2016. She holds a bachelor degree in Chinese Literature from Providence University and a master degree of Science in Management from University of Leicester. Ms. Hsin has several years' experience in educational sector and managerial experience in food and catering sector in Taiwan.

Ms. Tam Chik Yan ("Ms. Tam"), aged 29, was appointed as an executive Director in September 2022. She holds a bachelor degree of science in business management from the University of Surrey, UK. She has 6 years of experience in Marketing and Public Media. She currently worked as management in a media company of Hong Kong.

NON-EXECUTIVE DIRECTOR

Ms. Kwan Kar Ching ("Ms. Kwan"), aged 33, was appointed as an executive Director and the chairlady of the Company in April 2015 and in June 2016 respectively. She has been re-designated to the non-executive Director with effect from 1 September 2022. Ms. Kwan holds a postgraduate certificate in laws and a bachelor degree of business administration in accounting and finance from the University of Hong Kong. Ms. Kwan had worked for international bank and financial institution. She has over 10 years of experience in banking, asset management and investment.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Cho Sing ("Mr. Hung"), age 82, was appointed as an independent non-executive Director in May 2015. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder of Delon International Film Corporation and has been its General Manager since June 2004. Mr. Hung was the Organising Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993. And from 1993 to 1995, Mr. Hung was the Chairman of Hong Kong Film Awards Association Limited. Mr. Hung is currently the Chairman of Hong Kong Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region ("**HKSAR**") in 2005. From April 2007 to March 2013, Mr. Hung was appointed by the Government of HKSAR as a member of the Hong Kong Film Development Council. Mr. Hung is also a member of HKSAR Election Committee and since January 2013, he has been appointed by the Government of HKSAR as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission.

Currently, he is an independent non-executive director of China Star Entertainment Limited (stock code: 326), Oshidori International Limited (stock code: 622), Miko International Holdings Limited (stock code: 1247) and Harbour Digital Asset Capital Limited (stock code: 913).

Mr. Hung was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014 and Universe Entertainment and Culture Group Company Limited (stock code: 1046) from October 2017 to July 2019, an independent non-executive director of Arta TechFin Corporation Limited (stock code: 279) from January 2013 to January 2017 and China Ruyi Holdings Limited (stock code: 136) from January 2013 to October 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Luk Kin Ting ("Mr. Luk"), aged 38, was appointed as an independent non-executive Director in June 2016. He obtained a juris doctor degree from the Chinese University of Hong Kong, a master degree of laws (Majoring in Corporate Law) from New York University and a bachelor degree of business administration in Economics and Accounting from Hong Kong University of Science and Technology. He was admitted as a solicitor of the High Court of Hong Kong and had experience in legal counseling and solicitor practice. He was an independent non-executive director of Janco Holdings Limited (stock code: 8035) from September 2016 to September 2019.

Mr. Ng Wah Leung ("Mr. Ng"), aged 43, was appointed as an independent non-executive Director in February 2021. He holds a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has over 15 years of experience in accounting and audit on Hong Kong listed companies and private companies.

SENIOR MANAGEMENT

Mr. Tse Chi Shing ("Mr. Tse"), aged 39, joined the Group in April 2011. He is the Chief Financial Officer and the Company Secretary of the Company. Mr. Tse holds a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 15 years of experience in accounting and audit on Hong Kong listed companies and private companies.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board and senior management are committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

The Board is of the view that the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "**CG Code**") to the Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2022.

The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2022. Having made specific enquiry of all Directors, the Directors have complied such code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

The Board currently comprises:

Executive Directors:

Ms. Hsin Yi-Chin
Ms. Tam Chik Yan *(appointed on 1 September 2022)*

Non-executive Director:

Ms. Kwan Kar Ching *(Board Chairlady)*

Independent Non-executive Directors:

Mr. Hung Cho Sing
Mr. Luk Kin Ting
Mr. Ng Wah Leung

The Board is collectively responsible for the oversight of the management of the Company's business and affairs of the organisation with the objective of enhancing shareholder value. The Board approves and monitors the Group's business strategies and policies. The Board is also responsible to the shareholders of the Company for overseeing the Group's overall business, strategic decisions and directions, annual budget, and other major corporate matters. Besides, the Board delegates the management team with the authority and responsibility for the daily operations and administration of the Group.

The Board has normally scheduled 4 regular meetings a year each at quarterly intervals and meets as and when required. In addition, the Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Director. For the year ended 31 December 2022, the Company and the Board held 4 general meeting and 7 board meetings respectively. The attendance of each Director is as follows:

	Number of meetings attended/ eligible to attend		
	General meeting	Extraordinary general meeting	Board meetings
Executive Directors:			
Ms. Kwan Kar Ching *(re-designated on 1 September 2022)*[#]	1/1	2/2	6/6
Ms. Hsin Yi-Chin	0/1	0/3	7/7
Ms. Tam Chik Yan *(appointed on 1 September 2022)*	0/0	0/0	1/1
Non-executive Director:			
Ms. Kwan Kar Ching *(re-designated on 1 September 2022)*[#]	0/0	1/1	1/1
Independent non-executive Directors:			
Mr. Hung Cho Sing	1/1	2/3	7/7
Mr. Luk Kin Ting	1/1	1/3	7/7
Mr. Ng Wah Leung	1/1	2/3	7/7

Ms. Kwan Kar Ching was re-designated from executive Director to non-executive Director on 1 September 2022

There is no family or other material relationship among members of the Board.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to discharge their duties to the Company.

Appropriate insurance cover has been arranged in respect of legal actions against the Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All independent non-executive Directors are appointed for a specific term of not more than 2 years. All Directors are subject to re-election by shareholders at the annual general meeting following their appointment. At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed 3 independent non-executive Directors, at least one of whom has appropriate professional qualifications on accounting or related financial management expertise. For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of the Directors, the Board follows the requirements set out in the GEM Listing Rules.

Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ng Wah Leung were appointed as an independent non-executive Directors of the Company in May 2015, June 2016 and February 2021 respectively. All of them have tenure less than 8 years and they will be subject to, in accordance with the bye-laws of the Company, retirement from office and re-election at the annual general meetings of the Company in the future. With a mixture of tenures between less than 2 years to less than 8 years, the Board considered the independent non-executive Directors can continuously provide constructive independent challenges and opinions to the board.

Mechanisms for ensuring independent views and input

The Company has established channels whereby independent non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require. Communication channels for independent non-executive Directors:

- independent non-executive Director as Chair of various Board Committees – Committee Chair can update Board Chair as necessary in board meetings; and

- other informal meetings outside the boardroom.

The Nomination Committee has been delegated with the authority to review the implementation and the effectiveness of the independence mechanism on an annual basis.

Considering all of the circumstances described in this section, the Company considers all of the independent non-executive Directors to be independent.

Details of the Directors' remuneration are set out in Note 10 to the consolidated financial statements.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure their contributions to the Board remains informed and relevant. For the year ended 31 December 2022, the Directors participated in the following continuous professional development activities:

Directors	Type of trainings *(Notes)*
Ms. Kwan Kar Ching	a, b
Ms. Hsin Yi-Chin	a, b
Ms. Tam Chik Yan	a, b
Mr. Hung Cho Sing	a, b
Mr. Luk Kin Ting	a, b
Mr. Ng Wah Leung	a, b

Notes:

a. attending conferences, seminars and in-house training

b. reading newspapers, journals and updates relating to their duties, responsibilities and the Group's businesses

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

Ms. Kwan Kar Ching is the Chairlady of the Board. The Chairlady is responsible for ensuring that Board functions effectively, for providing leadership for the Board in setting goals and objectives for the Company and for ensuring that good corporate governance practices and procedures are established and enforced.

The Company does not have the role of chief executive officer. The Chief Executive Officer's duties have been undertaken by members of the Board. They are responsible for corporate planning, business development strategy and overall direction of the Group. The senior management is responsible for the day-to-day operations of the Group under the leadership of the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company currently comprises 1 non-executive Director, namely Ms. Kwan Kar Ching, and 2 independent non-executive Directors, namely Mr. Ng Wah Leung and Mr. Hung Cho Sing. Mr. Ng Wah Leung is the committee chairman. The main role and function of the remuneration committee include the formulation of the Company's remuneration policy, the approval or recommendation of remuneration packages for the Directors and senior management, and the review and approval of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee meets regularly to determine the policy for the remuneration of Directors and assess the performance of the executive Directors. For the year ended 31 December 2022, 1 meeting of the remuneration committee has been held with the following attendances:

	Number of meetings attended/eligible to attend
Ms. Kwan Kar Ching	1/1
Mr. Hung Cho Sing	1/1
Mr. Ng Wah Leung	1/1

Details of the Director's remuneration are set out in Note 10 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company currently comprises 1 non-executive Director, namely Ms. Kwan Kar Ching and 2 independent non-executive Directors, namely Mr. Hung Cho Sing and Mr. Ng Wah Leung. Ms. Kwan Kar Ching is the committee chairlady. The works carried out by the nomination committee members are set out below:

(a) to review the structure, size and composition (including the skills, knowledge and experience) and to make recommendations to the Board after such review;

(b) to assess the suitability and qualification of candidates put forward by the Chief Executive Officer and to become new board members and to report to the Board on their assessment;

(c) to assess the independence of independent non-executive Directors, having regard to the requirements under the GEM Listing Rules; and

(d) to make recommendations to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors, in particular, the Chairlady and the Chief Executive Officer.

For the year ended 31 December 2022, 1 meeting of the nomination committee has been held with the following attendances:

	Number of meetings attended/eligible to attend
Ms. Kwan Kar Ching	1/1
Mr. Hung Cho Sing	1/1
Mr. Ng Wah Leung	1/1

BOARD DIVERSITY POLICY

The Board adopts a diversity policy (the "**Diversity Policy**") and discusses all measurable objectives set for implementing the policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Board composition achieved 1 to 1 female and male director ratio and gender equality following the appointment of Ms. Tam Chik Yan as executive Director on 1 September 2022. The Board noted that similar ratio was also achieved in the employees population. The Board will strive to maintain these ratios going forward and will review and enhance the Diversity Policy annually.

BOARD NOMINATION POLICY

The Board also adopts a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedure of appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant experience in the industry, character and integrity and whether he/she can contribute to the diversity of the Board as detailed in the Diversity Policy. The procedure of appointing and re-appointing a Director is summarised as follows:

– nomination and invitation of suitable candidates by any member of the nomination committee or the Board;

– evaluation of the candidate by the Board based on all selection criteria as set out in the Nomination Policy;

– performing due diligence in respect of each candidate and making recommendation for the Board's consideration and approval;

– in case of nomination of an independent non-executive Director, assessing the candidate's independence under the relevant Code Provisions and the GEM Listing Rules;

- where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under code provision A.5.5 of the CG Code;
- in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meetings; and
- convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

AUDIT COMMITTEE

The audit committee of the Company comprises 3 independent non-executive Directors, namely Mr. Ng Wah Leung, Mr. Hung Cho Sing and Mr. Luk Kin Ting with Mr. Ng Wah Leung as the committee chairman.

The primary role and function of the audit committee are to oversee the relationship with the external auditor, to review the Group's preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements. The committee shall engage independent legal or other advisers as it determines is necessary to perform any investigations.

For the year ended 31 December 2022, 4 meetings of the audit committee have been held for the purpose of reviewing the Company's accounts and reports, and providing advices and recommendations to the Board, with the following attendances:

	Number of meetings attended/eligible to attend
Mr. Hung Cho Sing	4/4
Mr. Luk Kin Ting	4/4
Mr. Ng Wah Leung	4/4

ACCOUNTABILITY AND AUDIT

The Board acknowledges their responsibility for preparing the financial statements of the Group and ensures the financial statements have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The statement of the external auditor of the Company about the responsibilities on the financial statements of the Group is set out in the independent auditor's report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the fees paid and payable to the external auditor in respect of audit services to the Group were approximately HK$700,000 (2021: HK$756,000). The fees for non-audit related services performed by the external auditor were HK$nil (2021: HK$nil).

INVESTMENT COMMITTEE

The investment committee of the Company was established on 14 October 2015. The investment committee is responsible for formulating investment policies while reviewing and determining the investment portfolio of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering material controls, including financial, operational, compliance and risk management aspects of the Group. The systems were considered effective and adequate.

The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

The Group also has an internal audit function, which is governed by an appointed professional with related qualification. The internal audit function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness. The results are reported to the audit committee and the Board.

In 1 of the audit committee meeting, internal audit report and other supporting documents have been discussed for the review of risk management and internal control systems and the effectiveness of internal audit function.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

In accordance with article 64 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/(themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' Communication Policy

The Company recognises the importance of providing current and relevant information to its shareholders and a Shareholders' Communication Policy has been in place to set out the provisions with the objective to ensure that the shareholders of the Company and potential investors are provided with equal and timely access to information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders of the Company and potential investors to engage actively with the Company.

Information is communicated to the shareholders as well as the stakeholders through periodic disclosure through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and other corporate publications on the website of the Stock Exchange and corporate communications and on the website of the Stock Exchange at "www.hkex.com.hk".

The shareholders of the Company may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong.

The Company has reviewed the Shareholders' Communication Policy conducted for the year ended 31 December 2022 and considered that the Shareholders' Communication Policy has been well implemented and effective.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

With respect to the handling and dissemination of inside information, the Group has adopted various procedures and measures on disclosure of inside information with an aim to ensure that the insiders abide by the confidentiality requirement and that inside information is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. Such procedures include, among others, notification of regular blackout period and securities dealing restrictions to the Directors and employees, dissemination of information to specified persons on a need-to-know basis and use of code to identify projects.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. The Board shall take into account of the following factors before declaring dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board deems appropriate and relevant.

Any distribution of dividends shall be in accordance with all relevant applicable laws, rules and regulations in the Cayman Islands and Hong Kong, and the Articles of Association of the Company.

The dividend policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Board does not recommend the payment of final dividend for the year ended 31 December 2022.

INVESTOR RELATIONS

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a range of communication channels between itself, its Shareholders and investors which including answering questions through the annual general meeting, the publications of annual, interim and quarterly reports, notices, announcements and circulars, the website of the Company at www.koala8226.com.hk and the Stock Exchange. Saved to changes published in the announcements during the year, the Board do not aware of any significant changes in the Company's constitutional documents during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

This Environmental, Social and Governance Report (the "**ESG Report**") summarises the initiatives, programmes and performance of the KOALA Financial Group Limited (the "**Company**" and its subsidiaries as the "**Group**") as well as demonstrates its commitment to sustainability.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating environmental, social and governance aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

REPORTING FRAMEWORK

This ESG report is prepared in accordance with "Environmental, Social and Governance Reporting Guide" in Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. The scope of reporting for this year has been extended to cover key performance indicators.

REPORTING SCOPE

This report covers the Group's business activities in Hong Kong (i.e. Securities Brokerage, Underwriting and Placements, Money Lending, Securities Investment and Investment in Properties), which represent the Group's major source of investment and income.

The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

REPORTING PERIOD

This ESG Report specifics the environmental, social and governance activities, challenges and measures being taken during the reporting period (from 1 January 2022 to 31 December 2022).

BOARD STATEMENT AND SUSTAINABILITY GOVERNANCE OF THE GROUP

The Group takes an integrated approach to sustainability. Spearheaded by the Board, who takes full accountability for the Group's ESG governance, we incorporate environmental and social considerations into our decision-making and actions. The Board's responsibilities reviewing and endorsing material ESG issues, the ESG-related policies and targets, and approving our annual ESG Report. The Board, together with the head of respective business units, handled ESG-relate affairs together and focus on minimising the impact of our operations on the environment and creating positive impact in the community through our business. In doing so, we are guided by a set of core sustainability values and an effective governance structure.

The Board believes that promoting sustainability is as important as achieving medium and long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainability in its operations. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders.

STAKEHOLDER GROUP & ENGAGEMENT

Stakeholder engagement is an integral part of our business development and commitment to corporate sustainability. We develop medium-term and long-term relationships with stakeholders and consider their views on our business development through various formal and informal, independent and internal stakeholder engagement exercises.

Through our regular engagement activities, we are able to keep an ongoing dialogue with our stakeholders, enabling us to make more informed decisions, and better assess and manage any resulting impact.

Investors and shareholders

- Shareholders' meetings
- Investor briefings and press conferences
- Financial reports and other disclosure documents
- Corporate website

Customers

- Participating public events
- Special campaign to raise service standards and maintain customer satisfaction
- Feedback from front-line employees
- Designated customer hotline
- Corporate website

Suppliers

- Daily work review
- Suppliers' evaluation procedure

Employees

- Training, seminars, briefing sessions
- Regular review on remuneration package and occupational safety
- Recreational and volunteering activities
- Face-to-face meetings

Communities & NGOs

- Employee volunteering activities
- Sponsorship and donation

Government and regulators

- Compliance with laws and regulations
- Ongoing communication with relevant government departments

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

A. ENVIRONMENTAL

We are committed to protecting the environment and environmental considerations are taken into account during our decision-making process. Our Board of Directors has overall responsibility for environmental considerations across the Group while each business segment has its own responsibility to implement appropriate environmental measures.

A1. Emissions

The major business of the Group does not involve any manufacturing processes in the course of business. Therefore, during the reporting period, the Group and its offices did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for greenhouse gas ("**GHG**") emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting of environmental perspective, we mainly focused on the environmental impact of the Group's offices in Hong Kong and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern limited greenhouse gas emissions and non-hazardous waste generated from our operation.

The Group has established a series of policies and guidelines to meet the statutory disclosure requirement on emission by local regulation and Law in Hong Kong.

GHG emission

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the reporting period, the Group's total GHG emissions amounted to approximately 38.26 tonnes and the total GHG emission per employee was 2.25 tonnes/employee. The detailed summary of the GHG emission is shown as below:

		2022		2021	
GHG Scope	**Units**	**Quantity**	**Intensity (Consumption/ Headcount)**	Quantity	Intensity (Consumption/ Headcount)
Direct GHG emission (Scope 1)					
– petrol consumption	Tonnes	**27.7**	**1.63**	46.7	2.34
Indirect GHG emission (Scope 2)					
– electricity consumption	Tonnes	**9.8**	**0.58**	12.4	0.62
Other indirect GHG emission (Scope 3)					
– paper	Tonnes	**0.76**	**0.04**	3.9	0.20
Total GHG emission	Tonnes	**38.26**	**2.25**	63.0	3.16

The Group has implemented a number of measures to mitigate energy consumption such as turning off the air-conditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office, etc.

The Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

Air pollutants emission

The key air pollutants from the Group's operation mainly consist of nitrogen oxides, sulphur oxides and respirable suspended particulars, which mainly generated from motor vehicles.

		2022		2021	
Indicators	**Units**	**Quantity**	**Intensity (Consumption/ Headcount)**	Quantity	Intensity (Consumption/ Headcount)
Nitrogen Oxides (NOx)	gram	**14,404.0**	**847.29**	18,416.3	920.81
Sulphur Oxides (SOx)	gram	**172.6**	**10.15**	253.7	12.68
Respirable Suspended Particulars (RSP)	gram	**1,060.5**	**62.38**	1,186.5	59.32

Although air emissions are not significant due to the Group's business nature, following measures have been taken minimise to the pollutants emitted during our business operation:

- Choose the shortest route when vehicles are travelling between the Group's operating locations and destinations to reduce consumption of fuel;
- Turn off engines for idling vehicles; and
- Conduct regular vehicle maintenance to ensure efficient use of fuel.

Sewage Discharge

As the Group does not consume a significant volume of water during our daily operation, our business activities did not generate material discharges into water during the reporting period. Moreover, both the water supply and discharge are solely controlled by the building's management office, and so the provision of water withdrawal and discharge data or sub-meter for individual occupant are not feasible.

Waste management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. No laws and regulations relating to waste management have a significant impact on the issuer. The non-hazardous wastes generated by the Group's operations mainly consist of paper, toner cartridges and ink cartridges. During the reporting period, the consumption volume generated by the Group is shown as below:

		2022		2021	
Non-hazardous waste category	**Unit**	**Quantity**	**Intensity (Consumption/ Headcount)**	Quantity	Intensity (Consumption/ Headcount)
Paper	Tonnes	**0.76**	**0.04**	0.80	0.04
Toner Cartridge	Pieces	**4**	**0.24**	4	0.22

We regularly monitor the consumption volume of paper, toner cartridges and ink cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;

- Place "Green Message" reminders on office equipment;

- Utilise used envelopes and double-side printing. (Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary); and

- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

No laws and regulations relating to environment have a significant impact on the issuer. During the reporting period, the Group was not aware of any material non-compliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

A2. Use of Resources

Energy Consumption

Due to the business nature of the Group, the volume of energy consumption, electricity consumption and water consumption are considered as relatively low, in particular water consumption is very minimal. As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

To pursue our environmental commitment, an environmental policy and a purchasing policy are in place. We have implemented various initiatives throughout our operations such as deploying energy-efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department of the HKSAR Government, minimising the use of paper, reducing water consumption and encouraging the use of public transportation. Through actively monitoring and managing the use of resources, we aim to reduce our carbon footprints as well as our operating cost.

During the reporting period, the Group's consumption in petrol and electricity were:

		2022		2021	
Energy	**Unit**	**Quantity**	**Intensity (Consumption/ Headcount)**	Quantity	Intensity (Consumption/ Headcount)
Petrol	Litre	**11,740**	**691**	17,258	863
Electricity	kWh	**13,821**	**813**	18,757	938

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilise telephone or video conference to minimise face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

Water consumption and use of packaging materials

During the reporting period, the Group does not consume significant water in its business activities. Regardless of limited water consumption, we still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

Water consumption

The Group's water consumption is minimal as it operates in office premises of which both the water supply and discharge are solely controlled by the building's management office, and therefore the provision of water withdrawal and discharge data or sub-meter for individual occupant are not feasible. Yet, the Group promotes water saving practices in the workplace by encouraging its employees to reduce water use in order to raise the awareness on water conservation, including:

- Conduct regular maintenance and repair of toilet flushing system;
- Remind employees to turn off taps tightly after using to avoid dripping of water;
- Use water-saving appliances in water facilities where possible;
- Notify relevant department if problems are found to avoid wasting water resources; and
- Post water-saving reminders in pantry and toilets to remind employees on water conservation.

A3. Environmental Impact and Natural Resources

Environmental impact management

We strive to minimise the environmental impact of our operations by implementing a variety of green measures, including responsible use of resources, reducing carbon emissions, energy saving, waste management and pollution prevention.

We recognise that our operations have an environmental impact, particularly through:

- Lighting, heating and cooling of our offices
- Fuel consumption of vehicles
- Generation of certain hazardous (e.g. bulb use) and non-hazardous waste

As a result, the Group is committed to:

- Enhancing our contributions to environmental sustainability through sustainable development initiatives and implementing good environmental practices
- Regularly reviewing our business practices to identify how we can use resources like energy, water and other materials sustainably and more efficiently, while reducing waste and greenhouse gas emissions
- Recycling program for unused or damaged electrical and electronic equipment
- Reducing printing paper and finished good packing paper usage by 30% by the end of 2030 via various process automations
- Various energy savings initiatives, including LED light usage
- Achieving a 10% reduction in GHG emission by consuming less petrol by the end of 2030

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the reporting period, no laws and regulations relating to environment and natural resources have a significant impact on the issuer.

A4. Climate Change

Global warming has been one of the utmost concerned issues in recent years, which might induce extreme weather conditions such as storms, flooding and earthquakes, etc.

During the reporting period, the Group, led by the Board, referenced the recommendations of the Task Force on Climate-Related Financial Disclosures and conducted a preliminary climate-related risk analysis. The Board evaluated that the Group has not been seriously affected by the extreme weather conditions as the Group adopted various emergency plans to prevent the disruption of our operation such as working arrangement in black rainstorm warning and/or typhoon signal 8 situation. However, the Group would encounter transition risks such as stringent emissions-reporting obligations leading to higher compliance costs and potential mandates and regulations which limit our choice of investments.

Even though the Group expected that potential extreme weather condition, sustained high temperature do not have a material impact on the Group's operations, the Group will continue to monitor the climate-related risks and implement relevant measures to minimise the potential impact of climate change.

B. SOCIETY

B1. Employment

Employee Benefits and Equal Opportunities Policies

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the reporting period, the Group has fully complied with the statutory requirements in Hong Kong, including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 57 of the Laws of Hong Kong), the Minimum Wages Ordinance, the Personal Data Privacy Ordinance and other relevant rules and regulations.

Generally speaking, the Group and its subsidiaries have a series of written policies and guidelines on the following areas for reference:

- Compensation & dismissal
- Recruitment & promotion
- Working hour
- Rest period
- Equal opportunity
- Diversity
- Anti-discrimination
- Other benefit & welfare

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

During the reporting period, no laws and regulations relating to employment and labor practices have a significant impact on the issuer.

As at the end of the reporting period, we employed 17 employees in Hong Kong. Our employee profile is illustrated as follows:

NUMBER OF EMPLOYEES BY GENDER	2022	2021
Male	**9**	11
Female	**8**	8
Total	**17**	19
NUMBER OF EMPLOYEES BY AGE		
Below 30	**1**	1
30-50	**12**	12
Above 50	**4**	6
Total	**17**	19
NUMBER OF EMPLOYMENT TYPE		
Permanent staff	**17**	19
Part-time/Contract staff	**Zero**	Zero
Total	**17**	19

Employee turnover rate is around 10% for the reporting period.

We provide equal opportunities to our employees and job applicants in our employment activities such as recruitment, compensation, training and promotion. Decisions are made based on one's vocation, education, qualification, experience and skills. Ethnicity, ancestry, national origin, religion, gender, marital status, age, sexual orientation, disability or veteran status are not included in our employment decision-making process.

Apart from fair employment decision-making, we also strive to provide a fair and discrimination-free work environment to our employees. We prohibit any form of discrimination or harassment in our workplace. All colleagues are treated with respect and dignity.

To retain and attract talents, we offer fair and competitive remuneration packages with reference to local and industry standards. Open communication among the Group is fundamental to creating a friendly and warm atmosphere.

B2. Safe Working Environment

Occupational Health and Safety

Health and safety issues are important focus areas across all our operations.

The Group is committed to:

- Creating a safe, healthy and supportive environment for all employees
- Providing a working environment that is free from all forms of discrimination
- Ensuring employees at every level receive an appropriate induction so they have the best possible start in our organisation
- Providing ample opportunities to enhance one's skill, optimise performance and progress one's career through on-the-job training and well-defined career pathways
- Maintaining proper systems to ensure equal opportunities and competitiveness in staff remuneration and recognition
- Ensuring the company sets clear expectations for individual behavior (This is an integral part of the Group's Human Resources Policy.)

In our Hong Kong offices, fire safety measures are in place at all our premises. Our office's building management company has been working with the Hong Kong Fire Services Department to arrange relevant seminars and fire drills to raise employees' awareness on fire safety.

Regular safety inspections and improvement works on our premises are conducted to safeguard our employees and users of our buildings. We keep track of the latest government information on the spread of communicable diseases and provide prompt preventive advice and measures on our intranet.

During the reporting period, there was zero fatalities and work injury, the Group has complied with the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

OCCUPATIONAL HEALTH AND SAFETY STATISTICS	2022	2021
Number and rate of work-related fatalities	**Zero**	Zero
Lost days due to work injury	**Zero**	Zero

During the past three reporting periods, the Group has recorded no work-related fatalities or work injuries.

During the reporting period, no laws and regulations relating to health and safety have a significant impact on the issuer.

B3. People Development and Training

Staff Development and Training

We aim to recruit the best talent who fit our business needs. We create an environment where employees can develop their full potential and contribute their skills and experiences to the medium & long-term development of the Group.

During the reporting period, the Group supported employees for professional qualification certification including certified public accountants and the employees registered or licensed under the Securities and Futures Ordinance. Management and employees kept attending the continuous professional training program to maintain their professional competence to remain fit and proper. The training data is illustrated as follows:

PERCENTAGE OF EMPLOYEES TRAINED (BY EMPLOYMENT CATEGORY)	2022	2021
Senior management	**100%**	100%
Management and others	**43%**	72%
AVERAGE TRAINING HOURS (BY GENDER)		
Male	**7.5 hours**	8.8 hours
Female	**6.6 hours**	7.4 hours
AVERAGE TRAINING HOURS (BY EMPLOYMENT CATEGORY)		
Senior management	**11.3 hours**	6.5 hours
Management and others	**14.4 hours**	8.4 hours

The Group understood that it is important for our account executive and employees with duties pertaining to the regulated activities to complete their continuous professional trainings to maintain their professionalism in providing consistent value-adding services to our customers. The Group will continue the arrangement of supporting or providing trainings and external seminars to employees in 2023.

B4. Labor Standards

Prevention of Child Labor and Forced Labor

The Group complies with the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Employment of Children Regulation (Cap. 57B of the Laws of Hong Kong) and Employment of Young Persons (Industry) Regulation (Cap. 57C of the Laws of Hong Kong) and strictly forbids the use of child, forced, bonded, indentured or slave labor or human trafficking. Every employee is guaranteed freedom of movement in our workplace. Job applicant will declare his/her date of birth in the job application form and a copy of his/her HKID card will be obtained upon employment to prohibit delegation of hazardous tasks to employees under 18 years of age. During the reporting period, we observed no non-compliance cases regarding labor standards in our business operations.

During the reporting period, No laws and regulations relating to the prevention of child labor and forced labor have a significant impact on the issuer.

B5. Supply Chain Management

Environment and Social Risk Management of Supply Chain

Due to the Group's service-based business nature, no significant suppliers are involved in the Group's operations. However, service providers are engaged in our business operations to provide clients with its outstanding services, including but not limited to compliance advisors, legal counsels, etc. Throughout the selection and evaluation of different service providers, we place great emphasis on the service provider's business ethics and conduct, as well as its environmental, social and governance performance and the potential environmental and social risks that may adversely impact the Group. We strive to incorporate sustainable development values throughout our entire service chain.

The Group is committed to:

- Supporting the interests of our customers by focusing on product and services quality, value and safety
- Providing products and services that comply with all applicable legislations in their distribution markets
- Maintaining clear and constant customer communications channels, listening actively to feedback and responding swiftly to complaints
- Safeguarding our operations against unfair business practices
- Ensuring business contracts clearly set out the agreed terms, conditions and the basis of our relationship
- Communicating to our suppliers the importance of responsible sourcing and social compliance in the areas of health, safety and worker welfare
- Encouraging suppliers and contractors to adopt responsible business policies and practices for mutual benefit

B6. Product Responsibility

The Group's business activities are required to comply with the rules and regulations of various regulators in Hong Kong. The Group strictly adheres to the applicable laws and regulations relating to product/services responsibility in Hong Kong such as Securities and Futures Ordinance and Money Lenders Ordinance.

Safeguarding Customer Assets

Certain subsidiaries of the Group are licensed and regulated under the Securities and Futures Commission. As a custodian of customers' assets, we strictly comply with the relevant laws and regulations on handling and safeguarding of customers' assets. We implement the necessary controls to ensure customers' assets are accounted for properly and promptly, and adequately safeguarded.

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

Measures for Lending Business

The Company refrains from lending money to intended borrower who has entered into any third party agreement with third party in relation to the loan unless the third party identified fulfils specific conditions stipulated in the money lender's licence.

The Company gives explanation to the intending borrower of all the terms of the agreement, in particular the terms in relation to repayment. Any advertisement in relation to the money lending business issued or published by the Company contains the Company's telephone hotline for handling complaints and a risk warning statement.

Handling of Personal Data

For the customer privacy protection, the Company takes all practicable steps and measures to ensure that personal data collected in the course of his business are protected and at all times complies with the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong, in the collection, use, holding and processing of such information or personal data.

During the reporting period, No laws and regulations relating to product responsibility have a significant impact on the issuer.

B7. Anti-corruption

The Group has a set of anti-corruption policy to ensure compliance by all employees, officers and directors of the Group, and its subsidiaries and affiliates, with related anti-corruption laws in which the business segment does or intends to do business.

Bribes, Kickbacks or Other Corrupt Payments

All employees are prohibited from directly or indirectly offering, giving, soliciting or receiving any form of bribe, kickback or other corrupt payment, or anything of value, to or from any person or organisation, including government agencies, individual government officials, private companies and employees of those private companies under any circumstances.

Facilitation Payments

Generally speaking, the Group prohibits the payment of facilitation payments except under very exceptional special occasions and only with prior approval by the Board of Directors (or, if prior approval is not reasonably possible given the circumstances, as soon as possible following such payment).

Relationships with Third Parties

The Group prohibits corrupt offers, promises and payments made through partners, intermediary agents, joint ventures, or third parties. In addition, contracts with agents or third-party representatives and joint venture partners should, to the extent possible, include provisions to mitigate against the risk of potential illicit payments.

Whistleblowing procedures

The Group has developed the whistleblowing policy for misconduct reporting. We have opened various whistleblowing channels for our staff to report any suspicious activities, including malpractice and bribery. The whistleblowing reports are directly escalated to department or division heads, the Chief Executive and/or the Chairman of the Audit Committee. To prevent any retaliation against whistleblowers and maintain the effectiveness of the mechanism, we treat every whistleblowing case with confidentiality and sensitivity.

During the reporting period, we observed no non-compliance cases regarding bribery, extortion, fraud and money laundering in our business operation.

To further strengthen the governance and increase the awareness of anti-corruption, the Group provides comprehensive training to employees at all levels.

B8. Community

The Group is actively seeking opportunities to make contribution to the society and the Group has always encouraged our staff to participate in voluntary and charitable events to serve the community and society.

Our core sustainability values:

- We believe a thriving working environment and community facilitates our continuing business success
- We consider ongoing communication with our stakeholders as vitally important to upholding the well-being of the working environment and community
- We will continue to engage with our stakeholders' views and work together with them to achieve a win-win scenario

We participate in community building through organizing, facilitating and supporting the staff to take part in volunteer services, such as regularly visiting people who need help, participate in charitable fundraising activities and Blood Donation Day. By means of donation, we donate money, directly supporting or funding projects of various social service agencies. In addition to donation itself, we also appeal to the Company's stakeholders (including the employees and customers) to donate to charity organization.

Voluntary and charitable events

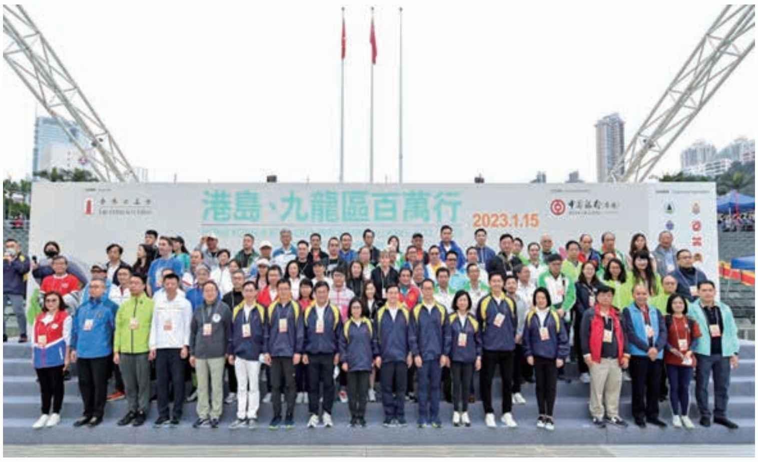
We recognise our responsibilities in contributing to the local community. We continue to interact with different stakeholder groups in the community to understand their needs and make their life better. The Group is committed to building communities with heart. We also create value for the community through our connection and cooperation with non-governmental organisations (NGOs). Activities and events the Group and/or our colleagues participated in or sponsored during the year included:

KOALA Financial Group Limited is appointed as principal sponsor of "Helping Hand Cookie Campaign 2022

The Group is appointed as Principal Sponsor of "Helping Hand Cookie Campaign 2022". Since 1978, Helping Hand have been caring for Hong Kong's elderly citizens. The Cookie Campaign aims to raise funds to support the caring for the elderly.

The Community Chest Hong Kong & Kowloon Walk for Millions 2022/2023

Due to COVID-19, The Community Chest's Walk for Millions had to be held virtually for the last two years. This year, the Walk was held on 15 January, 2023. Most of the Group's staff participated in the Walk. Funds were raised for "Family and Child Welfare Services" supported by The Community Chest.



OUTLOOK

The Group plans to implement more environmental, social and governance measures in its operation to reflect its responsibility towards the environment and society.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries of the Company are set out in Note 40 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segments is set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62.

The Directors do not recommend the payment of any dividends in respect of the year (2021: Nil).

BUSINESS REVIEW AND PROSPECTS

The business review of the Group for the year ended 31 December 2022 is set out in the "Chairlady's Statement" and "Management Discussion and Analysis" on pages 8 to 9 and pages 10 to 18 respectively of this annual report.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 7 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

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

CHARITABLE DONATIONS

Charitable donations made by the Group for the year ended 31 December 2022 amounted to HK$480,000 (2021: HK$480,000).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 29 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 65.

DISTRIBUTABLE RESERVES

Under the provisions of the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

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

Executive Directors:

Ms. Hsin Yi-Chin
Ms. Tam Chik Yan (appointed on 1 September 2022)
Ms. Kwan Kar Ching (re-designated on 1 September 2022)#

Non-executive Director

Ms. Kwan Kar Ching (re-designated on 1 September 2022)#

Independent non-executive Directors:

Mr. Hung Cho Sing
Mr. Luk Kin Ting
Mr. Ng Wah Leung

Ms. Kwan Kar Ching was re-designated from executive Director to non-executive Director on 1 September 2022

In accordance with article 108(A) of the articles of association of the Company, Ms. Hsin Yi-Chin, Ms. Tam Chik Yan and Mr. Ng Wah Leung shall retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 19 to 20 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the 2022 interim report of the Company are set out below:

Ms. Kwan Kar Ching has been re-designated from an executive Director to a non-executive Director with effect from 1 September 2022, due to her wishes to devote more time to her personal commitments. She will remain as the chairlady of the Company and other current positions of the Group.

Ms. Tam Chik Yan has been appointed as the executive Director with effect from 1 September 2022.

Save for the information above, the Company is not aware of any other change in Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules subsequent to the date of the 2022 interim report.

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Kwan Kar Ching, Ms. Hsin Yi-Chin and Ms. Tam Chik Yan entered into an appointment letter with the Company. They have no fixed term of service with the Company save that they are subject to retirement by rotation in accordance with the articles of association of the Company.

Each of Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ng Wah Leung entered into a 2-year service contract with the Company and they are subject to retirement by rotation in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive Directors the written confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules. The Company based on such confirmation, considers that all of the independent non-executive Directors are independent.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the section "Connected/Related Party Transactions" below and Note 38 to the consolidated financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

There is no material contract between the Group and the controlling shareholder or its subsidiaries during the year.

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

None of the Directors nor chief executives of the Company had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	79,600,089	–	79,600,089	19.07%

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2022.

SHARE OPTIONS

The share option scheme effective on 8 July 2002 was terminated and a new share option scheme (the "**Existing Share Option Scheme**") was adopted and became effective for a period of 10 years commencing from 15 June 2012. The Existing Share Option Scheme was expired on 15 June 2022. Upon the expiration of the Existing Share Option Scheme, no further options will be offered. The Group did not have any outstanding share options as at 31 December 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above and in Note 31 to the consolidated financial statements, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED/RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in Note 38 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. There is appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUAL

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 10 and 11 to the consolidated financial statements respectively.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the Directors is decided by the remuneration committee of the Company, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers accounted for 27.6% (2021: 35.4%) of the Group's total turnover. The largest customer accounted for 10.9% (2021: 10.1%) of the Group's total turnover. The Group had no major supplier due to the nature of principal activities of the Group.

None of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

Corporate governance report of the Company is set out on pages 21 to 30 of the annual report.

AUDITOR

CCTH CPA Limited ("**CCTH**") has resigned as the auditor of the Company with effect from 11 November 2022. The Board with the recommendation of the audit committee of the Company appointed Baker Tilly Hong Kong Limited ("**Baker Tilly**") as the auditor of the Company with effect from 30 November 2022 to fill the casual vacancy following the resignation of CCTH. The accompanying financial statements have been audited by Baker Tilly who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Kwan Kar Ching
Chairlady

21 March 2023

INDEPENDENT AUDITOR'S REPORT

天職國際

TO THE SHAREHOLDERS OF
KOALA FINANCIAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KOALA Financial Group Limited and its subsidiaries (together the "**Group**") set out on pages 62 to 138, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

The Key Audit Matter	How the matter was addressed in our audit
Impairment assessments of goodwill and intangible assets with indefinite useful lives	
Refer to notes 18 and 19 of the consolidated financial statements	
The Group recognised goodwill and other intangible assets with indefinite useful lives in connection with the acquisition of securities placing and brokerage business undertaken by KOALA Securities Limited during the year ended 31 December 2016. As at 31 December 2022, the carrying amounts of goodwill and intangible assets are HK$18,302,000 and HK$20,000,000. We focused on the impairment assessment of the goodwill and the intangible assets as management's assessment of the "value in use" of the cash-generating units ("**CGUs**") of this business, which is based on the business valuation performed by external valuer, involves judgments and estimates about the future results of the business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.	Our procedures included: • evaluating the independence, competence, capabilities and objectivity of the external valuer who performed the business valuation; • obtaining an understanding of the valuation process and techniques adopted by the external valuer to assess if they are consistent with industry norms; • enquiring the external valuer and management of the Group to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted for the valuation and compared them to, where relevant, existing placing and brokerage profiles, publicly available information of similar comparable listed company and our knowledge of the securities industry; • evaluating and challenging the composition of the Group's future cash flow forecasts in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculation; • challenging the key assumptions including revenue growth rate and gross profit margin by comparing the current year's actual results with the future plans. We considered the appropriateness of the discount rates adopted by management; and • considering the adequacy of the disclosure of impairment assessments of the goodwill and other intangible assets set out in notes 18 and 19 to the consolidated financial statements.

Key audit matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit

Recoverability of loans and interest receivables and accounts receivable

Refer to notes 20 and 21 of the consolidated financial statements

As at 31 December 2022, the Group had loans and interest receivables, and accounts receivable with the carrying amounts of approximately HK$43,167,000 and HK$101,935,000 respectively. Reversal impairment loss on loans and interest receivables amounted to HK$2,280,000 was recognised to profit or loss in respect of the year ended 31 December 2022.

Recoverability of the loans and interest receivables and accounts receivable involved management judgment in assessing the allowance for doubtful debts for individual receivable. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty.

We have identified impairment assessment of loans and interest receivables and accounts receivable as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.

Our procedures included:

- obtaining an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts;

- reviewing the agreements and other relevant documents relating to the Group's loans and interest receivables and accounts receivable;

- assessing the classification and accuracy of individual balances in accounts receivable, ageing report by testing on a sample basis;

- assessing subsequent settlement of receivable balances, obtaining an understanding of the basis of management's judgments about the recoverability of the outstanding receivable where settlement had not been received subsequent to the year-end date and evaluating the allowance for doubtful debts made by management for these individual balances;

- assessing the historical accuracy of the estimates made by the management for the allowance for doubtful debts; and

- assessing the appropriateness of expected credit loss positioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward looking information, used to determine the expected credit loss.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another independent auditor whose report dated 25 March 2022 expressed an unmodified opinion on those consolidated financial statements.

Other information

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

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

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

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

Responsibilities of directors and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- 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.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Tong Wai Hang.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 21 March 2023
Tong Wai Hang
Practising certificate number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022** **HK$'000**	2021 HK$'000
Revenue	*6*		
– Contracts with customers		**9,137**	12,928
– Leases		**504**	407
– Interest income under effective interest method		**13,858**	12,527
Total revenue		**23,499**	25,862
Cost of services		**(1,846)**	(1,553)
Gross profit		**21,653**	24,309
Other income, gains and losses	*7*	**(77,500)**	90,698
Selling and distribution expenses		**(450)**	(450)
Administrative expenses		**(12,910)**	(14,619)
Finance costs	*8*	**(135)**	(1,911)
(Loss)/profit before tax	*9*	**(69,342)**	98,027
Income tax credit/(expense)	*12*	**11,470**	(15,365)
(Loss)/profit and total comprehensive (expense)/income for the year		**(57,872)**	82,662
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(59,423)**	80,777
Non-controlling interests		**1,551**	1,885
		(57,872)	82,662
(Loss)/earnings per share			
		2022 **HK cents**	2021 HK cents (restated)
Basic and diluted	*14*	**(24.43)**	53.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**703**	1,072
Right-of-use assets	*16*	**384**	2,692
Investment properties	*17*	**18,000**	18,500
Goodwill	*18*	**18,302**	18,302
Intangible assets	*19*	**20,000**	20,000
Loans and interest receivables	*20*	**6,804**	7,513
		64,193	68,079
Current assets			
Loans and interest receivables	*20*	**36,363**	24,886
Accounts receivable	*21*	**101,935**	81,122
Prepayments and deposits paid	*21*	**4,832**	2,102
Financial assets at fair value through profit or loss	*22*	**42,716**	126,369
Bank balances – time deposits	*23*	**5,000**	–
Bank balances – trust accounts	*23*	**61,802**	64,477
Bank balances and cash – general bank accounts and cash	*23*	**161,178**	123,471
Tax recoverable		**227**	3,113
		414,053	425,540
Current liabilities			
Accounts payable	*24*	**68,316**	73,962
Other payables and accruals	*24*	**1,208**	10,530
Rental deposits received		**104**	104
Lease liabilities	*25*	**202**	2,384
Borrowings	*26*	**–**	10,000
Corporate bonds payable	*27*	**10,000**	9,910
Income tax payable		**8,194**	6,601
		88,024	113,491
Net current assets		**326,029**	312,049
Total assets less current liabilities		**390,222**	380,128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2022

	Note	**2022 HK$'000**	2021 HK$'000
Non-current liabilities			
Lease liabilities	*25*	**–**	202
Deferred tax liabilities	*28*	**3,217**	16,465
		3,217	16,667
NET ASSETS		**387,005**	363,461
Capital and reserves			
Share capital	*29*	**83,501**	27,833
Reserves		**295,503**	325,215
Equity attributable to owners of the Company		**379,004**	353,048
Non-controlling interests		**8,001**	10,413
TOTAL EQUITY		**387,005**	363,461

The consolidated financial statements on pages 62 to 138 were approved and authorised by the board of directors on 21 March 2023 and are signed on its behalf by:

Ms. Kwan Kar Ching
Director

Ms. Tam Chik Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	27,833	653,399	(417,383)	263,849	8,779	272,628
Profit and total comprehensive income for the year	–	–	80,777	80,777	1,885	82,662
Acquisition of additional interests in subsidiaries *(note 33)*	–	–	51	51	(251)	(200)
Amount due to non-controlling interest waived *(note)*	–	–	8,371	8,371	–	8,371
At 31 December 2021	27,833	653,399	(328,184)	353,048	10,413	363,461
At 1 January 2022	**27,833**	**653,399**	**(328,184)**	**353,048**	**10,413**	**363,461**
(Loss)/profit and other comprehensive (expense)/income for the year	**–**	**–**	**(59,423)**	**(59,423)**	**1,551**	**(57,872)**
Acquisition of additional interest in a subsidiary *(note 33)*	**–**	**–**	**3,963**	**3,963**	**(3,963)**	**–***
Issue of rights shares *(note 29(b))*	**55,668**	**27,833**	**–**	**83,501**	**–**	**83,501**
Transaction costs attributable to issue of right shares *(note 29(b))*	**–**	**(2,085)**	**–**	**(2,085)**	**–**	**(2,085)**
At 31 December 2022	**83,501**	**679,147**	**(383,644)**	**379,004**	**8,001**	**387,005**

* Below HK$1,000

Note: During the year ended 31 December 2021, the non-controlling interest of a subsidiary of the Company agreed to waive for the repayment of the amount of approximately HK$8,371,000 due by the subsidiary to the non-controlling interest, with the remaining balance of HK$2,028,000 settled by the Group during the year. The waiver of the amount due to non-controlling interest has been recognised as equity transaction and was credited to accumulated losses.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Operating activities			
(Loss)/profit before tax		**(69,342)**	98,027
Adjustments for:			
– Dividend income	*7*	**(57)**	(26)
– Interest income included in other income, gains and losses	*7*	**(257)**	(18)
– (Reversal of impairment loss)/impairment loss on loans and interest receivables, net	*7*	**(2,280)**	5,000
– Loss on fair value changes of investment properties	*7*	**500**	800
– Loss/(gain) on fair value change of financial assets at FVTPL	*7*	**80,091**	(96,363)
– Finance costs	*8*	**135**	1,911
– Depreciation of property, plant and equipment	*9*	**369**	1,097
– Depreciation of right-of-use assets	*9*	**2,308**	2,308
Operating cash flows before movements in working capital		**11,467**	12,736
Increase in accounts receivable		**(20,813)**	(3,473)
(Increase)/decrease in loans and interest receivables		**(8,488)**	11,809
Increase in prepayments and deposits paid		**(2,730)**	(195)
Decrease in financial assets at fair value through profit or loss		**3,562**	11,240
Decrease/(increase) in bank balances – trust accounts		**2,675**	(11,214)
Decrease in accounts payable		**(5,646)**	(5,037)
Decrease in other payables and accruals		**(9,322)**	(1,661)
Decrease in rental deposits received		**–**	(51)
Cash (used in)/generated from operations		**(29,295)**	14,154
Income taxes refunded/(paid), net		**2,701**	(3,187)
Net cash (used in)/generated from operating activities		**(26,594)**	10,967

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2022

	Note	**2022 HK$'000**	2021 HK$'000
Investing activities			
Interest received		**257**	18
Dividend received		**57**	26
Acquisition of additional interests in subsidiaries	*33*	**–***	(200)
Net cash generated from/(used in) investing activities		**314**	(156)
Financing activities			
Interest paid	*37*	**–**	(39)
Repayment of interest element of lease liabilities	*37*	**(45)**	(113)
Repayment of principal element of lease liabilities	*37*	**(2,384)**	(2,253)
Repayment of borrowings	*37*	**(10,000)**	(11,000)
Placement of time deposits		**(5,000)**	–
Proceeds from issue of shares by rights issue	*29(b)*	**81,416**	–
Net cash generated from/(used in) financing activities		**63,987**	(13,405)
Net increase/(decrease) in cash and cash equivalents		**37,707**	(2,594)
Cash and cash equivalents at 1 January		**123,471**	126,065
Cash and cash equivalents at 31 December		**161,178**	123,471
Analysis of cash and cash equivalents at end of the year:			
Bank balances and cash – general bank accounts and cash	*23*	**161,178**	123,471

* Below HK$1,000

1 GENERAL INFORMATION

KOALA Financial Group Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company has its registered office and principal place of business at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Units 01-02, 13th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively.

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to nearest thousands of Hong Kong dollars ("**HK$'000**") except when otherwise indicated.

2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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

2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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

HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts and the Related Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

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

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

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

2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" (Continued)

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

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

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

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

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

(b) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(c) Revenue from contracts with customers

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

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

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

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

(iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

(i) the amount of the initial measurement of the lease liability;

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the Group; and

(iv) an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

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

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the Group under residual value guarantees;

(iv) the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

(v) payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

(i) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

(ii) the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

(i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Borrowing costs

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

(f) Government grants

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

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

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

(g) Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans, government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("**MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

(i) Taxation

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Taxation (Continued)

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

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Taxation (Continued)

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(j) Property, plant and equipment

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

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

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

(k) Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

(m) Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than goodwill)

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than goodwill) (Continued)

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

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

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

(n) Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(i) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(ii) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Cash and cash equivalents (Continued)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

(o) Provisions

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

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

(p) Financial instruments

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

(i) the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

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

(i) the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

(i) it has been acquired principally for the purpose of selling in the near term; or

(ii) on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

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

Amortised cost and interest income

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

Financial assets at FVTPL

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

The Group always recognises lifetime ECL for accounts receivable.

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

(i) Significant increase in credit risk

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as debt or equity

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including accounts payable, other payables and accruals, borrowings and corporate bonds payable are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

(q) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model is recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties, as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 December 2022, the carrying amount of goodwill is HK$18,302,000 (2021: HK$18,302,000). No impairment loss was recognised for the years ended 31 December 2022 and 2021. Details of the recoverable amount calculation are disclosed in note 18.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of intangible assets, property, plant and equipment and right-of-use assets

Intangible assets, property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation, amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing:

(i) whether an event has occurred or any indicators that may affect the asset value;

(ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and

(iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including the cash flow projections and an appropriate discount rate.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amounts of intangible assets, property, plant and equipment and right-of-use assets subject to impairment assessment were HK$20,000,000, HK$703,000 and HK$384,000 (2021: HK$20,000,000, HK$1,072,000 and HK$2,692,000) respectively. No impairment loss was recognised for the years ended 31 December 2022 and 2021.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the investment properties. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets is set out in notes 17 and 36(d).

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for loans and interest receivables

The Group performed impairment assessment for loans and interest receivables under ECL model on an individual basis. ECL for loans and interest receivables are based on management's estimation of the amounts and timing of future cash flows collectible from the loan receivables, and the assessment of the existence of any significant increase in credit risk of the loan receivables since initial recognition, after taking into account the credit loss experience, ageing of overdue balances, cash flows that are expected from the realisation of collateral, borrowers' repayment history, financial condition of borrowers and the incorporation of forward looking information, all of which involve a significant degree of management judgement.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loans and interest receivables are disclosed in notes 20 and 36(b).

As at 31 December 2022, the carrying amount of loans and interest receivables is HK$43,167,000 (2021: HK$32,399,000), net of loss allowance of HK$2,720,000 (2021: HK$5,000,000). Reversal impairment loss of HK$2,280,000 (2021: impairment loss of HK$5,000,000) was recognised in profit or loss for the year.

6 REVENUE AND SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of services rendered. For management purposes, the Group is organised into the following reportable operating segments based on types of services provided:

(i) Securities investments

(ii) Provision of financial services (including securities placing, underwriting and brokerage services, and margin financing)

(iii) Leasing of investment properties

(iv) Money lending business

(v) Provision of assets management services

6 REVENUE AND SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted results before tax. The adjusted results before tax is measured consistently with the Group's results before tax except that bank interest income, finance costs, as well as other head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	2022					
	Securities investments HK$'000	Provision of financial services HK$'000	Leasing of investment properties HK$'000	Money lending business HK$'000	Provision of assets management services HK$'000	Total HK$'000
Segment revenue						
– under HKFRS 15	–	9,137#	–	–	–	9,137
– from other sources	–	9,958	504	3,900	–	14,362
	–	19,095	504	3,900	–	23,499
Segment (loss)/profit	(80,091)	12,538	(55)	5,730	(229)	(62,107)
Interest income from bank deposits						257
Corporate and other unallocated expenses – net						(7,357)
Finance costs						(135)
Loss before tax						(69,342)
Income tax credit						11,470
Loss for the year						(57,872)

6 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

	2021					
	Securities investments HK$'000	Provision of financial services HK$'000	Leasing of investment properties HK$'000	Money lending business HK$'000	Provision of assets management services HK$'000	Total HK$'000
Segment revenue						
– under HKFRS 15	–	12,928#	–	–	–	12,928
– from other sources	–	6,247	407	6,280	–	12,934
	–	19,175	407	6,280	–	25,862
Segment profit/(loss)	96,363	11,434	(452)	517	(315)	107,547
Interest income from bank deposits						18
Corporate and other unallocated expenses – net						(7,627)
Finance costs						(1,911)
Profit before tax						98,027
Income tax expense						(15,365)
Profit for the year						82,662

Revenue from provision of financial services which include provision of securities placing, underwriting and brokerage services is recognised at a point in time when the services are rendered by the Group.

During the years ended 31 December 2022 and 2021, all performance obligations for provision of securities placing, underwriting and brokerage services are for a period of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at the year ended 31 December 2022 and 2021 is not disclosed.

There were no inter-segment revenue in both years.

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	2022 HK$'000	2021 HK$'000
Segment assets		
Securities investments	**42,716**	126,369
Provision of financial services	**251,735**	230,108
Leasing of investment properties	**18,102**	18,606
Money lending business	**51,350**	58,283
Provision of assets management services	**639**	890
Total segment assets	**364,542**	434,256
Corporate and other unallocated assets	**113,704**	59,363
Total assets	**478,246**	493,619
Segment liabilities		
Securities investments	**–**	–
Provision of financial services	**73,616**	77,250
Leasing of investment properties	**104**	104
Money lending business	**–**	–
Provision of assets management services	**–**	22
Total segment liabilities	**73,720**	77,376
Corporate and other unallocated liabilities	**17,521**	52,782
Total liabilities	**91,241**	130,158

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

- all major assets are allocated to reportable segments other than certain property, plant and equipment, right-of-use assets, prepayments and deposits, certain bank balances and tax recoverable. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all major liabilities are allocated to reportable segments other than certain other payables and accruals, borrowings, corporate bonds payable, lease liabilities, tax payable and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Other segment information

	2022						
	Securities investments HK$'000	**Provision of financial services HK$'000**	**Leasing of investment properties HK$'000**	**Money lending business HK$'000**	**Provision of assets management services HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Depreciation of property, plant and equipment	**–**	**2**	**–**	**–**	**–**	**367**	**369**
Depreciation of right-of-use assets	**–**	**–**	**–**	**–**	**–**	**2,308**	**2,308**
Reversal of impairment loss on loans and interest receivables, net	**–**	**–**	**–**	**(2,280)**	**–**	**–**	**(2,280)**
Loss on fair value changes of investment properties	**–**	**–**	**500**	**–**	**–**	**–**	**500**
Interest expenses	**–**	**–**	**–**	**–**	**–**	**135**	**135**

	2021						
	Securities investments HK$'000	Provision of financial services HK$'000	Leasing of investment properties HK$'000	Money lending business HK$'000	Provision of assets management services HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation of property, plant and equipment	–	7	–	–	–	1,090	1,097
Depreciation of right-of-use assets	–	–	–	–	–	2,308	2,308
Impairment loss on loans and interest receivables	–	–	–	5,000	–	–	5,000
Loss on fair value changes of investment properties	–	–	800	–	–	–	800
Interest expenses	–	–	–	–	–	1,911	1,911

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represents the results before tax of each segment without allocation of interest income, certain unallocated other income and gains, certain unallocated expenses (including central administrative costs, directors' remunerations and finance costs). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(d) Geographical information

No geographical information is presented as the Group's operations are based in Hong Kong and majority of the Group's revenue and non-current assets are derived from and located at Hong Kong respectively for both years.

6 REVENUE AND SEGMENT INFORMATION (Continued)

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2022 HK$'000	2021 HK$'000
Customer A from provision of securities services	**2,596**	N/A#
Customer B from provision of securities services	**2,529**	N/A#
Customer C from provision of securities services	**N/A#**	2,615

The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7 OTHER INCOME, GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
(Loss)/gain on fair value changes of financial assets at FVTPL:		
– Realised (loss)/gain on financial assets at FVTPL, net	**(79,554)**	11,063
– Fair value (loss)/gain on financial assets at FVTPL, net	**(537)**	85,300
Dividend income	**57**	26
Government grants	**310**	–
Reversal of impairment loss/(impairment loss) on loans and interest receivables, net *(note 20)*	**2,280**	(5,000)
Interest income from bank deposits	**257**	18
Loss on fair value changes of investment properties *(note 17)*	**(500)**	(800)
Sundry income	**187**	91
	(77,500)	90,698

During the year ended 31 December 2022, the Group recognised government grants of HK$310,000 (2021: HK$Nil) in respect of the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region in respect of COVID-19 related subsidies. There are no unfulfilled conditions or contingencies relating to these grants.

8 FINANCE COSTS

	2022	2021
	HK$'000	HK$'000
Interest on lease liabilities *(note 25)*	**45**	113
Interest on corporate bonds payable *(note 27)*	**90**	1,759
Interest on borrowings *(note 26)*	**–**	39
	135	1,911

9 (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	2022	2021
	HK$'000	HK$'000
Directors' emoluments *(note 10)*	**2,123**	2,049
Other staff costs (excluding directors' emoluments):		
– Wages, salaries and other benefits	**2,986**	4,034
– Contributions to retirement benefits schemes	**129**	152
	5,238	6,235
Auditor's remuneration	**700**	756
Depreciation of property, plant and equipment *(note 15)*	**369**	1,097
Depreciation of right-of-use assets *(note 16)*	**2,308**	2,308

10 DIRECTORS' EMOLUMENTS

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

	2022				
	Fees HK$'000	**Salaries, allowance and other benefits in kind HK$'000**	**Bonuses HK$'000**	**Retirement benefits HK$'000**	**Total HK$'000**
Executive directors					
Ms. Kwan Kar Ching *(note (i))*	**–**	**824**	**–**	**28**	**852**
Ms. Hsin Yi-Chin	**–**	**360**	**–**	**–**	**360**
Ms. Tam Chik Yan *(note (ii))*	**–**	**120**	**–**	**6**	**126**
Non-executive director					
Ms. Kwan Kar Ching *(note (i))*	**425**	**–**	**–**	**–**	**425**
Independent non- executive directors					
Mr. Hung Cho Sing	**120**	**–**	**–**	**–**	**120**
Mr. Luk Kin Ting	**120**	**–**	**–**	**–**	**120**
Mr. Ng Wah Leung	**120**	**–**	**–**	**–**	**120**
	785	**1,304**	**–**	**34**	**2,123**

	2021				
	Fees HK$'000	Salaries, allowance and other benefits in kind HK$'000	Bonuses HK$'000	Retirement benefits HK$'000	Total HK$'000
Executive directors					
Ms. Kwan Kar Ching	–	1,287	–	42	1,329
Ms. Hsin Yi-Chin	–	360	–	–	360
Independent non- executive directors					
Mr. Hung Cho Sing	120	–	–	–	120
Mr. Luk Kin Ting	120	–	–	–	120
Mr. Ng Wah Leung *(note (iii))*	100	–	–	–	100
Ms. Ng Yau Kuen, Carmen *(note (iv))*	20	–	–	–	20
	360	1,647	–	42	2,049

10 DIRECTORS' EMOLUMENTS (Continued)

Notes:

(i) Ms. Kwan Kar Ching was re-designated from executive director to non-executive director on 1 September 2022.

(ii) Ms. Tam Chik Yan was appointed on 1 September 2022.

(iii) Mr. Ng Wah Leung was appointed on 27 February 2021.

(iv) Ms. Ng Yau Kuen, Carmen resigned on 27 February 2021.

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

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

No emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2022 and 2021. There was no arrangement under which a director waived or agreed to waive any remuneration for both years.

11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one (2021: one) director, details of whose remunerations are set out in note 10. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowance and other benefits in kind	**2,149**	2,768
Bonuses	**–**	–
Retirement benefits	**89**	88
	2,238	2,856

The number of the highest paid employees who are not the directors nor chief executive of the Company whose remuneration fell within the following bands is as follows:

	2022 **Number of employees**	2021 Number of employees
Nil to HK$1,000,000	**4**	4

No emoluments were paid by the Group to the five highest paid employees (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2022 and 2021.

12 INCOME TAX (CREDIT)/EXPENSE

	2022	2021
	HK$'000	HK$'000
Hong Kong Profits Tax		
– current year	**2,039**	2,171
– over-provision in prior years, net	**(261)**	(31)
	1,778	2,140
Deferred tax (credit)/charge *(note 28)*	**(13,248)**	13,225
	(11,470)	15,365

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

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

	2022	2021
	HK$'000	HK$'000
(Loss)/profit before tax	**(69,342)**	98,027
Tax at the applicable tax rate of 16.5% (2021: 16.5%)	**(11,441)**	16,174
Tax effect of income not taxable for tax purpose	**(99)**	(966)
Tax effect of expenses not deductible for tax purpose	**48**	253
Over-provision in respect of prior years, net	**(261)**	(31)
Tax effect of temporary differences not recognised	**239**	–
Tax effect of tax losses not recognised	**209**	100
Income tax at concessionary rate	**(165)**	(165)
Income tax (credit)/expense	**(11,470)**	15,365

13 DIVIDENDS

No dividend was paid or proposed during the year (2021: Nil), nor has any dividend been proposed since the end of the reporting period (2021: Nil).

14 (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following data:

	2022 HK$'000	2021 HK$'000
(Loss)/profit:		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share ((loss)/profit for the year)	**(59,423)**	80,777

	2022 Number of shares '000	2021 Number of shares '000 (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**243,204**	152,422

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2021 has been adjusted, taking into account the bonus element of the rights issue which were completed on 29 August 2022. The corresponding weighted average number of ordinary shares for the year ended 31 December 2021 has been retrospectively adjusted to reflect the said bonus element of the rights issue. Details of rights issue of shares are set out in note 29(b) to the consolidated financial statements.

Diluted (loss)/earnings per share for both of the years ended 31 December 2022 and 2021 were the same as basic (loss)/earnings per share as there were no potential ordinary shares in issue during both years.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**1,864**	**898**	**6,254**	**9,016**
Accumulated depreciation				
At 1 January 2021	1,864	885	4,098	6,847
Provided for the year	–	8	1,089	1,097
At 31 December 2021 and 1 January 2022	**1,864**	**893**	**5,187**	**7,944**
Provided for the year	**–**	**2**	**367**	**369**
At 31 December 2022	**1,864**	**895**	**5,554**	**8,313**
Carrying values				
At 31 December 2022	**–**	**3**	**700**	**703**
At 31 December 2021	–	5	1,067	1,072

The above items of property, plant and equipment after taking into account the residual values, are depreciated on a straight-line basis at the following estimated useful lives:

Leasehold improvements	2 – 5 years
Furniture and equipment	3 – 10 years
Motor vehicles	5 years

16 RIGHT-OF-USE ASSETS

Right-of-use assets represent the Group's leased property of its office. Leases and rentals are negotiated and fixed respectively for three years (2021: three years).

	2022	2021
	HK$'000	HK$'000
Cost		
At 1 January and 31 December	**6,923**	6,923
Accumulated depreciation		
At 1 January	**4,231**	1,923
Provided for the year	**2,308**	2,308
At 31 December	**6,539**	4,231
Carrying values		
At 31 December	**384**	2,692

Amounts included in the consolidated statement of cash flows leases comprise of cash outflow for leases of HK$2,429,000 (2021: HK$2,366,000) in financing activities.

17 INVESTMENT PROPERTIES

The Group leases out office premises which are located in Hong Kong under operating leases with rentals payable monthly and are measured using the fair value model.

	2022	2021
	HK$'000	HK$'000
At 1 January	**18,500**	19,300
Decrease in fair value recognised in profit or loss *(note 7)*	**(500)**	(800)
At 31 December	**18,000**	18,500

The fair value of the Group's investment properties as at 31 December 2022 and 2021 has been arrived at on the basis of a valuation carried out on the respective dates by B.I. Appraisals Limited, independent qualified professional valuer not connected to the Group.

The fair value of investment properties is a level 3 recurring fair value measurement. In estimating the fair value of the investment properties, the highest and the best use of the properties is their current use.

17 INVESTMENT PROPERTIES (Continued)

The Group's investment properties held for rental purposes have committed lessees for the next one year (2021: two years) and the undiscounted lease payments receivable on leases are as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**378**	504
In the second year	**–**	378
	378	882

The valuation of the investment properties in Hong Kong, which falls under level 3 of the fair value hierarchy, has been arrived at by using investment method by capitalising rental income on a fully leased basis and the potential reversionary rental income at market level.

The summary below is the key inputs to the valuation of investment properties:

Significant unobservable inputs	Weighted average 2022	 2021	Relationship of unobservable inputs to fair value
Estimated rental value per month (per square foot)	**HK$48**	HK$51	A significant increase/decrease in estimated rental value would result in a significant increase/decrease in fair value, and vice versa
Term yield	**2.60%**	2.72%	A significant increase/decrease in term yield would result in a significant decrease/increase in fair value, and vice versa
Reversionary yield	**2.60%**	2.72%	A significant increase/decrease in reversionary yield would result in a significant decrease/increase in fair value, and vice versa

18 GOODWILL

The carrying amount of the goodwill has been allocated for impairment testing purposes to the cash-generating unit ("**CGU**") of provision of financial services (including securities placing, underwriting and brokerage services, and margin financing) undertaken by a subsidiary, KOALA Securities Limited ("**KOALA Securities**").

	2022	2021
	HK$'000	HK$'000
Cost and carrying value		
KOALA Securities	**18,302**	18,302

The goodwill arose from the acquisition of Prime Paradise Limited and its subsidiary, KOALA Securities during the year of 2016.

The directors of the Company conducted assessment of the recoverable amount of KOALA Securities with reference to the valuation conducted by B.I. Appraisals Limited, an independent firm of professional valuers with recognised qualifications and experience, using the income approach methodology. The discount rate applied to the cash flow projections of KOALA Securities is 15.55% (2021: 16.24%) and the growth rate used to extrapolate the cash flow of KOALA Securities beyond the five-year period is 2.4% (2021: 2.4%). Based on the assessment, the directors considered that impairment of goodwill is not required to be made in the consolidated financial statements.

The recoverable amount is significantly above the carrying amount and the management believes that any reasonably possible change in any of these assumptions would not result in impairment.

19 INTANGIBLE ASSETS

	2022	2021
	HK$'000	HK$'000
Cost and carrying value		
Securities brokerage licence	**20,000**	20,000

The securities brokerage licence is held by a subsidiary, KOALA Securities. Under the securities brokerage licence, KOALA Securities is entitled to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance.

Management assesses impairment of securities brokerage licence with indefinite useful life annually using the value in use method calculated based on cash flow projections of the business of provision of financial services (including securities placing, underwriting and brokerage services, and margin financing) undertaken by KOALA Securities (note 18) to which the intangible asset are related.

Based on the impairment assessment, management considers that no impairment loss on the intangible asset is required to be made in the consolidated financial statements.

20 LOANS AND INTEREST RECEIVABLES

The Group's loans and interest receivables arise from the money lending business of providing loans in Hong Kong by a wholly-owned subsidiary of the Company. The Group seeks to maintain strict control over its outstanding loans and interest receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

Details of the loans and interest receivables as at 31 December 2022 and 2021 are as follows:

	2022			2021		
	Loan portion HK$'000	**Interest portion HK$'000**	**Total HK$'000**	Loan portion HK$'000	Interest portion HK$'000	Total HK$'000
Secured loans by listed equity securities	**20,330**	**61**	**20,391**	530	2	532
Personal guaranteed loans	**240**	**1**	**241**	280	14	294
Unsecured loans	**24,810**	**445**	**25,255**	33,620	2,953	36,573
	45,380	**507**	**45,887**	34,430	2,969	37,399
Less: Loss allowance	**(2,720)**	**–**	**(2,720)**	(5,000)	–	(5,000)
	42,660	**507**	**43,167**	29,430	2,969	32,399
Less: Current portion included under current assets	**(35,856)**	**(507)**	**(36,363)**	(21,917)	(2,969)	(24,886)
Amounts due after 1 year included under non- current assets	**6,804**	**–**	**6,804**	7,513	–	7,513

The exposure of the Group's loans and interest receivables to their contractual maturity dates are as follows:

	2022			2021		
	Loan portion HK$'000	**Interest portion HK$'000**	**Total HK$'000**	Loan portion HK$'000	Interest portion HK$'000	Total HK$'000
Within one year	**35,856**	**507**	**36,363**	21,917	2,969	24,886
More than one year but within two years	**6,804**	**–**	**6,804**	7,389	–	7,389
More than two years but within five years	**–**	**–**	**–**	124	–	124
	42,660	**507**	**43,167**	29,430	2,969	32,399

20 LOANS AND INTEREST RECEIVABLES (Continued)

Loans receivable are interest-bearing at effective interest rates ranging from 3.5% to 36.0% (2021: 3.5% to 36.0%) per annum and repayable on maturity under the terms of contractual agreements or on demand in writing by the Group.

(a) Ageing analysis

Ageing analysis is prepared based on contractual due dates:

The credit risk of loans and interest receivables has been assessed by reference to historical information about counterparty default rates adjusted by forward looking information. Further details on the Group's credit policy are set out in note 36(b).

	2022			2021		
	Loan portion HK$'000	**Interest portion HK$'000**	**Total HK$'000**	Loan portion HK$'000	Interest portion HK$'000	Total HK$'000
Current	**42,640**	**220**	**42,860**	26,410	530	26,940
Less than 1 month past due	**–**	**176**	**176**	3,000	210	3,210
1 to 3 months past due	**–**	**111**	**111**	3,120	179	3,299
3 to 6 months past due	**240**	**–**	**240**	1,900	391	2,291
6 to 12 months past due	**1,200**	**–**	**1,200**	–	1,539	1,539
More than 12 months past due	**1,300**	**–**	**1,300**	–	120	120
Less: Loss allowance	**(2,720)**	**–**	**(2,720)**	(5,000)	–	(5,000)
	42,660	**507**	**43,167**	29,430	2,969	32,399

20 LOANS AND INTEREST RECEIVABLES (Continued)

(b) Movements in the gross amount of loans and interest receivables are as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	49,208	–	–	49,208
New loans originated	21,480	–	–	21,480
Transfer	(10,300)	10,300	–	–
Repaid during the year	(33,289)	–	–	(33,289)
At 31 December 2021 and 1 January 2022	**27,099**	**10,300**	**–**	**37,399**
New loans originated	**38,413**	**980**	**–**	**39,393**
Transfer	**460**	**(2,840)**	**2,380**	**–**
Repaid during the year	**(22,825)**	**(8,080)**	**–**	**(30,905)**
At 31 December 2022	**43,147**	**360**	**2,380**	**45,887**

(c) An analysis of changes in the corresponding ECL allowances is as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	–	–	–	–
New originated	32	–	–	32
Impairment loss recognised	40	–	–	40
Transfer	(72)	72	–	–
Impact on year ended ECLs of exposures transferred between stages during the year	–	4,928	–	4,928
At 31 December 2021 and 1 January 2022	**–**	**5,000**	**–**	**5,000**
New originated	**37**	**–**	**–**	**37**
Impairment loss recognised	**67**	**28**	**–**	**95**
Repaid during the year	**–**	**(465)**	**–**	**(465)**
Transfer	**3,155**	**(4,339)**	**1,184**	**–**
Impact on year ended ECLs of exposures transferred between stages during the year	**(3,143)**	**–**	**1,196**	**(1,947)**
At 31 December 2022	**116**	**224**	**2,380**	**2,720**

21 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS PAID

	2022 HK$'000	2021 HK$'000
Accounts receivable		
Accounts receivable from business of securities brokerage from		
– clearing house, brokers and cash clients *(note (i))*	**18,790**	21,507
– margin clients *(note (ii))*	**83,145**	57,548
	101,935	79,055
Other accounts receivable *(note (iii))*	**–**	2,067
	101,935	81,122
Prepayments and deposits paid		
Prepayments	**528**	652
Deposits paid	**4,304**	1,450
	4,832	2,102

Notes:

(i) The settlement terms of accounts receivable from clearing house, brokers and cash clients are two days after trade date. The accounts receivable from clearing house, brokers and cash clients are not past due based on settlement terms and are not impaired. The accounts receivable from clearing house, brokers and cash clients as at 31 December 2022 were settled subsequent to that date.

No ageing analysis of the accounts receivable from clearing house, brokers and cash clients is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

(ii) Margin clients receivable at 31 December 2022 are secured by clients' pledged securities at fair value of approximately HK$279,626,000 (2021: HK$334,905,000). The margin clients receivable are repayable on demand and carry interest ranged from 6% to 20% (2021: 6% to 16%) per annum. At 31 December 2022 and 2021, all the accounts receivable from margin clients are neither past due nor impaired. The management has considered the consistently low historical default rate for those receivables as there has not been a significant changes in credit quality of the margin clients and the receivables have been secured by pledged securities of these clients.

21 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS PAID (Continued)

Notes: (Continued)

(iii) The following is an ageing analysis of other accounts receivable based on the invoice date, at the end of the reporting period:

	2022 **HK$'000**	2021 HK$'000
Within 30 days	–	2,067

Details of impairment assessment of accounts receivable and deposits paid are set out in note 36(b).

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **HK$'000**	2021 HK$'000
Equity securities listed in Hong Kong at fair value *(note 36(d))*	**42,716**	126,369

Fair values of listed equity securities in Hong Kong are primarily based on their quoted bid prices in active markets.

23 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2022 **HK$'000**	2021 HK$'000
Bank balances and cash		
– time deposits	**5,000**	–
– trust accounts *(note (i))*	**61,802**	64,477
– general bank accounts and cash *(note (ii))*	**161,178**	123,471
	227,980	187,948

Notes:

(i) The Group receives and holds money deposited by clients and other institutions in the course of its regulated securities brokerage business. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients and other institutions. The Group currently does not have an enforceable right to offset those payables with the deposits placed.

(ii) The general bank accounts and cash comprise cash held by the Group and bank deposits bearing interest at commercial rates with original maturity of three months or less.

Cash at banks earns interest at floating rates based on daily bank deposit rates and are deposited with creditworthy banks with no recent history of default.

Time deposits of HK$5,000,000 (2021: HK$Nil) represent fixed deposits to banks and have original maturities over three months at inception. The time deposits carry interests at variable rates of 4.55% (2021: Nil) per annum.

Details of the impairment assessment of bank balances are set in note 36(b).

24 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2022 **HK$'000**	2021 HK$'000
Accounts payable		
Accounts payable from business of securities brokerage to clearing house, brokers and cash clients	**68,316**	73,962
Other payables and accruals		
Other payables	**326**	9,000
Accruals	**882**	1,530
	1,208	10,530

24 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS (Continued)

The settlement terms of accounts payable to clearing house, brokers and cash clients are two days after trade date. The accounts payable as at 31 December 2022 were settled subsequent to that date.

No ageing analysis of the accounts payable to clearing house, brokers and cash clients is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

25 LEASE LIABILITIES

	2022	2021
	HK$'000	HK$'000
Lease liabilities payable:		
– Within one year	**202**	2,384
– More than one year but within two years	**–**	202
	202	2,586
Less: Amount due for settlement within one year shown under current liabilities	**(202)**	(2,384)
Amount due for settlement over one year shown under non-current liabilities	**–**	202

The weighted average incremental borrowing rates applied to lease liabilities is 3.0% (2021: 3.0%).

26 BORROWINGS

	2022	2021
	HK$'000	HK$'000
Carrying amount repayable within one year	**–**	10,000

At 31 December 2021, the borrowings amounted to HK$10,000,000, which was unsecured, carried interest at 5% per annum and repayable on demand, was reclassified from corporate bonds payable during the year ended 31 December 2021, details of which are set out in note 27. On 29 July 2022, the borrowings were repaid in full.

27 CORPORATE BONDS PAYABLE

	2022 HK$'000	2021 HK$'000
Carrying amount repayable within one year	**10,000**	9,910

On 10 September 2014, the Company issued bonds with a total principal amount of HK$10,000,000 to an independent third party with coupon interest of 4% per annum and a maturity of 7.5 years from the date of issue. The effective interest rate for the bond is 8.78% (2021: 8.78%) per annum after considering the direct transaction costs. The corporate bond was due on 9 May 2022 and the Company has further extended the corporate bond with the bondholder for 1 year with coupon interest of 1% per annum.

On 30 September 2014, the Company issued bonds with a total principal amount of HK$10,000,000 to an independent third party with coupon interest of 5% per annum and a maturity of 7 years from the date of issue. The corporate bond was due on 29 September 2021 and was reclassified to borrowings (note 26).

Movements in the corporate bonds payable are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**9,910**	18,151
Interest on corporate bonds payable accrued *(note 8)*	**90**	1,759
Reclassified to borrowings *(note 26)*	**–**	(10,000)
At 31 December	**10,000**	9,910

28 DEFERRED TAX LIABILITIES

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

	Fair value adjustments on business combination HK$'000	Accelerated depreciation allowance HK$'000	Fair value adjustment on financial assets at FVTPL HK$'000	Total HK$'000
At 1 January 2021	3,217	23	–	3,240
Charged to profit or loss *(note 12)*	–	–	13,225	13,225
At 31 December 2021 and 1 January 2022	**3,217**	**23**	**13,225**	**16,465**
Credited to profit or loss *(note 12)*	**–**	**(23)**	**(13,225)**	**(13,248)**
At 31 December 2022	**3,217**	**–**	**–**	**3,217**

At the end of the reporting period, the Group has unused tax losses approximately HK$6,617,000 (2021: HK$5,352,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unused tax losses may be carried forward indefinitely under current tax legislation. Other deductible temporary differences are not material.

29 SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
At 1 January 2021	20,000,000	200,000
Share consolidation *(note (a))*	(19,000,000)	–
At 31 December 2021, 1 January 2022 and 31 December 2022	**1,000,000**	**200,000**
Issued and fully paid:		
At 1 January 2021	2,783,360	27,833
Share consolidation *(note (a))*	(2,644,192)	–
At 31 December 2021 and 1 January 2022	**139,168**	**27,833**
Rights issue *(note (b))*	**278,336**	**55,668**
At 31 December 2022	**417,504**	**83,501**

Notes:

(a) On 18 March 2021, an ordinary resolution was passed by the shareholders at the extraordinary general meeting of the Company to consolidate every twenty issued and unissued shares of HK$0.01 each into one consolidated share of HK$0.20 each (the "**Share Consolidation**"). Following the Share Consolidation, which became effective on 22 March 2021, 2,783,359,958 shares in the issued share capital of the Company were consolidated into 139,167,997 consolidated shares.

(b) On 29 August 2022, the Company issued 278,335,994 ordinary shares of HK$0.2 each at a subscription price of HK$0.3 per ordinary share, in connection with the rights issue on the basis of two rights share for every one consolidated share held (the "**Rights Issue**"), resulting in net proceeds of HK$81,416,000, after deducting related transaction costs of HK$2,085,000. Details of the Rights Issue are set out in the Company's prospectus dated 5 August 2022 and the Company's announcement dated 26 August 2022.

30 RESERVES

Share premium

Under the Companies Law, Chapter 22 of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall in the ordinary course of business.

31 EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 15 June 2012 for the primary purpose of providing incentives to directors and eligible employees, and expired on 14 June 2022. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares of the Company ("**Shares**") which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% in nominal amount of the issued share capital of the Company from time to time. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 30% in nominal amount of the issued capital of the Company from time to time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Each grant of share options to any director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder of the Company or an independent non-executive director, or to any of their associates, resulting in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 10% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5,000,000, is subject to shareholders' approval in advance in a general meeting of the Company.

The period during which an option may be exercised is determined by the board of directors of the Company in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant. The minimum period for which an option must be held before it can be exercised is determined by the board of directors upon the grant of an option.

31 EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (Continued)

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option is duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 as consideration for the grant of the option, is received by the Company within 21 days after the date of offer.

The exercise price of share options is determined by the directors of the Company, but shall not be less than the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant of the share options; and (iii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant.

No options were granted by the Company, exercised, cancelled or lapsed under the Scheme and no equity-settled employees' benefit (including directors' emoluments) was recognised during the years ended 31 December 2022 and 2021. There was no share option outstanding under the Scheme as at 31 December 2022 and 2021.

32 RETIREMENT BENEFIT PLAN

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. Contribution to the plan vest immediately, there is no forfeited contribution that may be used by the Group to reduce the existing level of contribution.

The total expenses recognised in profit or loss of HK$163,000 (2021: HK$194,000) represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plan.

33 ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

Acquisition of 49% additional interest in KOALA Capital Management Limited

On 18 March 2021, Prime Paradise Limited (80% owned subsidiary), acquired an additional 49% equity rates in KOALA Capital Management Limited ("**KOALA Capital**") from the shareholder of KOALA Capital at a consideration of HK$200,000.

The Group recognised the same amount in non-controlling interests and a decrease in equity attributable to the owners of the parent of HK$2,044,000. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	(2,044)
Consideration paid to non-controlling interests	(200)
	(2,244)

Acquisition of additional interest in Prime Paradise Limited in 2022 and 2021

On 31 December 2021, Leading Nation Investment Limited ("**Leading Nation**"), a wholly-owned subsidiary of the Company, acquired an additional 5% equity interest in Prime Paradise Limited ("**Prime Paradise**") from the non-controlling interest of Prime Paradise at a consideration of HK$1.

On 31 December 2022, Leading Nation further acquired an additional 5% equity interest in Prime Paradise from the non-controlling interest of Prime Paradise at a consideration of HK$1.

The Group recognised the same amount in non-controlling interests and an increase in equity attributable to the owners of the parent of HK$3,963,000 (2021: HK$2,295,000). The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount of non-controlling interests acquired	**3,963**	2,295
Consideration paid to non-controlling interests	**–***	–*
	3,963	2,295

* Below HK$1,000

34 CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the lease liabilities, borrowings and corporate bonds payable disclosed in notes 25, 26 and 27 respectively, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking consideration of future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

35 FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 **HK$'000**	2021 HK$'000
Financial assets at fair value		
– Financial assets at FVTPL	**42,716**	126,369
Financial assets at amortised cost		
– Loans and interest receivables	**43,167**	32,399
– Accounts receivable and deposits paid	**106,239**	82,572
– Bank balances – time deposits	**5,000**	–
– Bank balances – trust accounts	**61,802**	64,477
– Bank balances and cash – general bank accounts and cash	**161,178**	123,471
	420,102	429,288
Financial liabilities at amortised cost		
– Accounts payable, other payables and accruals	**69,524**	84,492
– Borrowings	**–**	10,000
– Corporate bonds payable	**10,000**	9,910
– Lease liabilities	**202**	2,586
	79,726	106,988

36 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's major financial instruments are set out in note 35. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (interest rate risk and price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

Interest rate risk

The Group is exposed to interest rate risk as the group entities may borrow funds at both fixed interest rates and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. Although the board of directors accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is not significant, accordingly no sensitivity analysis is presented.

The Group had no floating rate receivables and borrowings at end of each of the reporting periods presented. Accordingly, there would be no impact on the results of the Group for the year (2021: HK$Nil) upon any change in interest rate on floating rate borrowings assuming that no floating rate borrowings was outstanding during the year.

Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. Management of the Company manages this exposure by maintaining a portfolio of investments with different risk and return profiles. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. If equity prices were 10% higher/lower, the post-tax loss for the year would decrease/increase by HK$3,567,000 (2021: post-tax profit for the year would increase/decrease by HK$10,552,000). This is mainly due to the changes in fair value of financial assets at FVTPL.

36 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment

As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. Except for certain loans and interest receivables and the accounts receivable from business of securities brokerage from margin clients as disclosed in notes 20 and 21 respectively, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group performs impairment assessment under ECL model, upon application of HKFRS 9, on accounts receivable individually or based on provision matrix, while the loans and interest receivables and bank balances are based on 12-month ECL, except the loans which are past due or repayment more than 1 year based on life time ECL.

The Group is exposed to concentration of credit risk on (i) loans and interest receivables which are provided to individual third parties with no recent history of default; and (ii) liquid funds which are deposited with several banks with high credit ratings.

The Group's concentration of credit risk by geographical locations is in Hong Kong as all receivables are substantially arisen in Hong Kong for both years. Other than above, the Group does not have any other significant concentration of credit risk.

Accounts receivable

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. At 31 December 2022, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$279,626,000 (2021: HK$334,905,000). Management has assessed the market values of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. Based on the assessment, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collateral and the management considers the ECL for receivables from margin clients is insignificant and therefore no impairment allowance was recognised. The margin loans are repayable on demand and bear variable interest at commercial rates.

At 31 December 2022, receivables due from cash clients at the end of the reporting period relate to independent clients that have good track records with the Group or are subsequently settled. When cash clients fail to settle on the settlement date, the Group has the right to sell the purchased securities of the respective transaction. Based on past experience, management believes that no impairment allowance is necessary after taking into consideration the recoverability from the purchased securities and past collection history of each client adjusted by current and forward looking factors.

36 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment (Continued)

Loans and interest receivables

The management estimates the estimated loss rates of loans and interest receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the borrowers to the loans and interest receivables. Based on assessment by the management, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals.

Bank balances

As at 31 December 2022, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks, with good reputation, are insignificant and accordingly, no allowance for credit losses is provided (2021: HK$Nil).

Deposits

In determining the ECL for deposits, the directors have made individual assessment on the recoverability of deposits based on historical settlement records, past experience, and also forward looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's deposits are insignificant.

Accounts receivable and loans and interest receivables

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

Internal credit rating	Description	Accounts receivable	Other financial assets
Low risk	The counterparty has low risk of default and does not have any past-due amounts	Lifetime ECL – not credit impaired	12-month ECL – not credit impaired
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit impaired	12-month ECL – not credit impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external sources	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
In default	Interest and/or principal repayments are 60 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(b) Credit risk and impairment assessment (Continued)

Accounts receivable and loans and interest receivables (Continued)

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

Financial assets at amortised cost	*Note*	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 HK$'000	2021 HK$'000
Accounts receivable	21	N/A	*(Note 1)*	Lifetime ECL – provision matrix	**101,935**	81,122
Loans and interest	20	N/A	Low risk	12-month ECL	**43,147**	27,099
receivables		N/A	Doubtful	Lifetime ECL	**360**	10,300
		N/A	In default	Lifetime ECL – credit-impaired	**2,380**	–
Deposits	21	N/A	*(Note 2)*	12-month ECL	**4,304**	1,456
Bank balances – time deposits	23	AA+	N/A	12-month ECL	**5,000**	–
Bank balances – trust accounts	23	AA+	N/A	12-month ECL	**61,802**	64,477
Bank balances and cash – general bank accounts and cash	23	AA+	N/A	12-month ECL	**161,178**	123,471

Note 1: For accounts receivable, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating based on historical repayment records and reputation.

Note 2: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

For the year ended 31 December 2022, no impairment loss (2021: HK$Nil) is recognised on accounts receivable and reversal of impairment loss of HK$2,280,000 (2021: impairment loss of HK$5,000,000) is recognised on loans and interest receivables.

36 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on operating activities, corporate borrowings and issuance of new shares as a significant source of liquidity. As at 31 December 2022, the Group has no available unutilised banking facilities (2021: HK$Nil).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights. The maturity dates for the financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	2022					
	Weighted average interest rate	On demand or within 1 year HK$'000	After 1 year but within 2 years HK$'000	After 2 years but within 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Accounts payable, other payables and accruals	–	69,524	–	–	69,524	69,524
Corporate bonds payable	1.0%	10,100	–	–	10,100	10,000
Lease liabilities	3.0%	214	–	–	214	202
		79,838	–	–	79,838	79,726

36 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

	2021					
	Weighted average interest rate	On demand or within 1 year HK$'000	After 1 year but within 2 years HK$'000	After 2 years but within 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Accounts payable, other payables and accruals	–	84,492	–	–	84,492	84,492
Borrowings	5.0%	10,500	–	–	10,500	10,000
Corporate bonds payable	4.0%	10,306	–	–	10,306	9,910
Lease liabilities	3.0%	2,456	214	–	2,670	2,586
		107,754	214	–	107,968	106,988

(d) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's financial assets at FVTPL, representing equity securities listed in Hong Kong, are measured at fair value at the end of the reporting period. The fair value of all the listed securities as at 31 December 2022 and 2021 is measured at fair value on Level 1 based on the quoted closing prices as at that date.

There were no transfer of the financial assets between the levels in both of the years presented.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values of these financial assets and liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

37 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities *(note 25)* HK$'000	**Borrowings** *(note 26)* HK$'000	**Corporate bonds payable** *(note 27)* HK$'000	**Total** HK$'000
At 1 January 2021	4,839	11,000	18,151	33,990
Transfer	–	10,000	(10,000)	–
Financing cash outflows	(2,366)	(11,039)	–	(13,405)
Finance costs	113	39	1,759	1,911
At 31 December 2021 and 1 January 2022	**2,586**	**10,000**	**9,910**	**22,496**
Financing cash outflows	**(2,429)**	**(10,000)**	**–**	**(12,429)**
Finance costs	**45**	**–**	**90**	**135**
At 31 December 2022	**202**	**–**	**10,000**	**10,202**

38 RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and certain of the highest paid employee as disclosed in notes 10 and 11, is as follows:

	2022 **HK$'000**	2021 HK$'000
Short-term benefits	**2,468**	1,738
Post-employment benefits	**80**	54
	2,548	1,792

(b) Other related party transactions

Save as disclosed above and elsewhere in these consolidated financial statements, the Group did not have any material related party transactions during the years ended 31 December 2022 and 2021.

39 CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2022, the Group did not have any contingent liabilities and commitments (2021: HK$Nil).

40 PRINCIPAL SUBSIDIARIES

List of principal subsidiaries

The table below lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ operations	Class of shares held	Paid up issued capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held		Principal activities
				Directly		Indirectly				
				2022 %	2021 %	**2022** %	2021 %	**2022** %	2021 %	
Honest Smart Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Provision of management services to group companies and securities investment
Honest Smart Finance Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Money leading
Prime Paradise	British Virgin Islands ("**BVI**")	Ordinary	US$100	**–**	–	**90**	85	**90**	85	Investment holding
KOALA Securities Limited	Hong Kong	Ordinary	HK$91,800,000 (2021: HK$60,000,000)	**–**	–	**90**	85	**90**	85	Placing and brokerage services
KOALA Capital	Hong Kong	Ordinary	HK$500,100	**–**	–	**100**	100	**100**	100	Provision of asset management services
Genius Founder Limited	BVI	Ordinary	US$1	**100**	100	**–**	–	**100**	100	Properties leasing

None of the subsidiaries had issued any debt securities at the end of the year.

Details of the Group's non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests ("**NCI**"):

Name of subsidiary	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by NCI		Total comprehensive income to NCI		Accumulated NCI	
		2022 %	2021 %	**2022** **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000
Prime Paradise and its subsidiaries ("**Prime Paradise Group**")	BVI/Hong Kong	**10**	15	**1,551**	1,885	**8,001**	10,413

Summarised financial information in respect of Prime Paradise Group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

40 PRINCIPAL SUBSIDIARIES (Continued)

Details of the Group's non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	2022	2021
	HK$'000	HK$'000
Financial position		
Current assets	**211,059**	190,690
Non-current assets	**20,002**	20,005
Current liabilities	**(151,051)**	(141,275)
Non-current liabilities	**–**	–
Net assets	**80,010**	69,420
Financial performance		
Revenue	**19,095**	19,175
Other income	**581**	107
Expenses	**(9,333)**	(9,858)
Profit and total comprehensive income for the year	**10,343**	9,424
Profit and total comprehensive income for the year attributable to:		
– owners of the Company	**8,792**	7,539
– non-controlling interests	**1,551**	1,885
	10,343	9,424
Cash flows		
Net cash (outflow)/inflow from:		
– operating activities	**(3,767)**	19,134
– investing activities	**256**	18
	(3,511)	19,152

41 STATEMENT OF FINANCIAL POSITION AND EQUITY OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	–	–
Current assets		
Prepayments and deposits paid	**1,439**	1,326
Amounts due from subsidiaries	**316,304**	268,588
Bank balances and cash – general bank accounts	**28,677**	4,167
Tax recoverable	**84**	173
	346,504	274,254
Current liabilities		
Other payables and accruals	**820**	988
Borrowings	–	10,000
Corporate bonds payable	**10,000**	9,910
Income tax payable	**5,000**	5,000
	15,820	25,898
Net current assets	**330,684**	248,356
NET ASSETS	**330,684**	248,356
Capital and reserves		
Share capital	**83,501**	27,833
Reserves *(Note)*	**247,183**	220,523
TOTAL EQUITY	**330,684**	248,356

The Company's statement of financial position was approved and authorised for issue by the board of directors on 21 March 2023 and is signed on its behalf by:

Ms. Kwan Kar Ching
Director

Ms. Tam Chik Yan
Director

41 STATEMENT OF FINANCIAL POSITION AND EQUITY OF THE COMPANY (Continued)

Note:

	Share premium HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	653,399	19,550	(451,893)	221,056
Loss and total comprehensive expense for the year	–	–	(533)	(533)
At 31 December 2021	653,399	19,550	(452,426)	220,523
At 1 January 2022	**653,399**	**19,550**	**(452,426)**	**220,523**
Profit and total comprehensive income for the year	**–**	**–**	**912**	**912**
Issue of rights shares *(note 29(b))*	**27,833**	**–**	**–**	**27,833**
Transaction costs attributable to issue of rights share *(note 29(b))*	**(2,085)**	**–**	**–**	**(2,085)**
At 31 December 2022	**679,147**	**19,550**	**(451,514)**	**247,183**

42 CHANGES IN PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative figures of the consolidated financial statements have been reclassified to conform with the current year's presentation.