



**WORLDSEC LIMITED**

**Annual Report for the year ended 31 December 2022**

# **CORPORATE INFORMATION**

## **Board of Directors**

### **Non-Executive Chairman**

Alastair GUNN-FORBES\*

### **Executive Directors**

Henry Ying Chew CHEONG (Deputy Chairman)

Ernest Chiu Shun SHE

### **Non-Executive Directors**

Mark Chung FONG\*

Martyn Stuart WELLS\*

Stephen Lister d'Anyers WILLIS\*

*\* independent*

### **Company Secretary**

Vistra Company Secretaries Limited

First Floor, Templeback, 10 Temple Back, Bristol, BS1 6FL, United Kingdom

### **Assistant Company Secretary**

Ocorian Services (Bermuda) Limited

Victoria Place, 5<sup>th</sup> Floor, 31 Victoria Street, Hamilton HM 10, Bermuda

### **Registered Office Address**

Victoria Place, 5<sup>th</sup> Floor, 31 Victoria Street, Hamilton HM 10, Bermuda

### **Registration Number**

EC21466 Bermuda

### **Principal Bankers**

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road, Central, Hong Kong

### **External Auditor**

BDO Limited

25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong

### **Principal Share Registrar and Transfer Office**

Ocorian Management (Bermuda) Limited

Victoria Place, 5<sup>th</sup> Floor, 31 Victoria Street, Hamilton HM 10, Bermuda

### **International Branch Registrar**

Link Market Services (Jersey) Limited

12 Castle Street, St Helier, JE2 3RT, Jersey, Channel Islands

### **United Kingdom Transfer Agent**

Link Group

10<sup>th</sup> Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom

### **Investor Relations**

For further information about Worldsec Limited, please contact:

Henry Ying Chew CHEONG

Executive Director, Worldsec Group

Unit 607, 6th Floor, FWD Financial Centre, 308 Des Voeux Road Central, Sheung Wan, Hong Kong

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### **Company's Website**

<http://www.worldsec.com>

## CONTENTS

	<b>Page</b>
Chairman's statement	1
Directors' report	3
Statement of directors' responsibilities	22
Independent auditor's report	23
Consolidated statement of profit or loss and other comprehensive income	28
Consolidated statement of financial position	29
Consolidated statement of changes in equity	31
Consolidated statement of cash flows	32
Notes to the consolidated financial statements	33
Investment policy	69
Biographical notes of the directors	70

## Chairman's Statement

### RESULTS AND REVIEW

During the year ended 31 December 2022, the audited consolidated loss of Worldsec Limited (the "Company") and its subsidiaries (together the "Group") was US\$843,000, compared with a profit of US\$636,000 in 2021. Loss per share was US0.99 cent (2021 earnings per share: US0.75 cent). Net asset value per share was US6.4 cents (2021: US7.4 cents). Detailed discussion of the results and financial position of the Group is set out in the directors' report on pages 3 to 21.

As mentioned in the Company's 2022 Interim Report, the Group made two new investments during the year under review consisting of:

- an investment through the subscription of the Class A Participating Shares (the "VS Class A Shares") of VS SPC Limited ("VS SPC") established by LQ Pacific Partners Limited, in VS SPC, the sole underlying investment asset of which is an equity interest in Animoca Brands Corporation Limited ("Animoca"). The Animoca group is principally engaged in the development and publication of and investment in a broad portfolio of products that includes blockchain games; and
- an investment through the subscription of the Class A Participating Shares (the "Hermitage Class A Shares") of the Hermitage Galaxy Fund SPC attributable to the Hermitage Fund Twelve SP (the "Hermitage Fund Twelve") established by Hermitage Capital HK Limited, in the Hermitage Fund Twelve, the sole underlying investment asset of which is an equity interest in Innovusion Holdings Ltd. ("Innovusion"). The Innovusion group is principally engaged in the development of image-grade light detection and ranging ("LiDAR") sensor systems for the autonomous vehicle and advance driver-assistance system markets.

With these new investments acquired during the year under review, the Group has expanded its investment portfolio with an emphasis on the technology sector with a view to capturing the growth opportunities that are expected to arise in the digital era.

### PROSPECTS

With the general achievement of the target goals of vaccination coverage in major economies, coupled with the progressive development of herd immunity around the world, the COVID-19 pandemic and the spread of the coronavirus are widely considered to be under control. This has led to the uplifting of nearly all lockdown measures. The disruptions caused by the COVID-19 pandemic will, however, have a long-lasting impact on the global economy. In particular, there has been an acceleration in digital transformation, which will have far-reaching implications for productivity and workforce requirements. The risks and vulnerabilities inherent in the global supply chain, blatantly exposed during the COVID-19 pandemic, have also given rise to heightened geopolitical tensions and protectionist and nationalistic sentiments in the name of supply chain stability and security.

Notwithstanding the gradual subsiding of the COVID-19 pandemic, 2022 was a difficult year for investors. Inflation surged to the highest level in decades and the aggressive and unprecedented interest rate increases by governments in major economies caused both equity and bond prices to experience double-digit declines. The recent collapse of a few banks has also added pressure in the banking and financial sector making the fight for inflation more difficult and complicated. The continuing problems of the global supply chain, the rising geopolitical tension between China and the West and the ongoing Russia-Ukraine war mean that robust recovery for the world economy will remain elusive.

## WORLDSEC LIMITED

During the first quarter of 2023, private equity activities from seed to late stage investments slowed across all sectors. Fundraising momentum carried from 2021 into 2022 has also softened even though dry powder held in the private equity sector remained substantial. Valuations in general experienced contractions for the first time in many years as cost of money rose. The value of the investment portfolio of the Group has to a certain extent suffered accordingly. The underlying assets of the Group's investments and investee companies, which are mostly industrial or technology-based with products largely aiming to embrace the quality of life of consumers in the digit era, should in the long-term benefit from the economic development trending towards digitalisation and internet of things. The Group will continue to explore opportunities under the changing megatrends and will make progress in expanding and refining its investment portfolio in accordance with the Company's investment policy.

### NOTE OF APPRECIATION

I wish to thank my fellow directors and staff for their efforts and contributions made during the year ended 31 December 2022. I would also like to extend a note of appreciation to shareholders for their continued support of the Company.

Alastair Gunn-Forbes  
Non-Executive Chairman  
25 April 2023

## **DIRECTORS' REPORT**

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The directors submit the annual report of the Company and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in investment in unlisted companies in the Greater China and South East Asian region.

### **RESULTS AND FINANCIAL POSITION**

The audited consolidated loss of the Company and its subsidiaries for the year ended 31 December 2022 was US\$843,000, compared with a profit of US\$636,000 in 2021. Loss per share was US0.99 cent (2021 earnings per share: US0.75 cent). The loss was primarily due to the negative change in the fair value of the Group's financial assets that was recognised through the profit and loss account under International Financial Reporting Standard 9.

During the year under review, the Group's Investment in the ICBC Specialised Ship Leasing Investment Fund (the "ICBC Shipping Fund") continued to provide a stable return, generating dividend income totalling US\$96,000. In addition, there were dividends aggregated from its stock market investment portfolio that amounted to US\$97,000.

As at 31 December 2022, the net assets of the Group amounted to US\$5.4 million (2021: US\$6.3 million), equivalent to US6.4 cents per share (2021: US7.4 cents). Cash and cash equivalents declined to US\$0.5 million from US\$1.5 million a year ago, reflecting basically the use of cash resources in operating and investment activities.

Further details of the Group's results and financial position are set out in the consolidated statement of profit or loss and other comprehensive income on page 28, the consolidated statement of financial position on page 29 and notes to the consolidated financial statements on pages 33 to 68.

The Board does not propose to declare any dividend for the year ended 31 December 2022 (2021: nil).

### **REVIEW**

The Company is a closed-ended investment company with a premium listing under Chapter 15 of the Listing Rules of the Financial Conduct Authority in the United Kingdom. In accordance with the Company's investment policy, a copy of which is set out on page 69, the investment strategy of the Group focuses on investing in small to medium sized trading companies based mainly in the Greater China and South East Asian region with a view to building a diversified portfolio of minority investments in such companies. The investment objective of the Company is to achieve attractive investment returns through capital appreciation on a medium to long term horizon. To spread the investment risk of the Group, none of the Group's investments at the time when made exceeded 20% of its gross assets.

As at the date of this report, the investment portfolio of the Group, including the two new investments, VS SPC with the sole underlying investment asset in an equity interest in Animoca and the Hermitage Fund Twelve with the sole underlying investment asset in an equity interest in Innovusion, acquired during the year under review, but excluding Agrios Global Holdings Ltd. ("Agrios") and ayondo Ltd. ("Ayondo"), the two investments that had previously been completely written off by the Group, comprises a total of seven investments and investee companies.

## **DIRECTORS' REPORT (CONTINUED)**

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### **ICBC Shipping Fund**

The Group's investment in the ICBC Shipping Fund, which is involved in marine vessel leasing, continued to provide a stable contribution generating dividend income amounting to US\$96,000.

### **Animoca through VS SPC**

Through the VS Class A Shares, the Group holds an investment in VS SPC, the sole underlying investment asset of which is an equity interest in Animoca.

Incorporated in Australia, Animoca is an unlisted holding company of a technology group that uses gamification, blockchain and artificial intelligence technologies to develop and publish a broad portfolio of products that includes, notably amongst others, The Sandbox, a decentralised gaming virtual world. Other key business units of the Animoca group consist of Animoca Brands KK, GAMEE, nWay, Blowfish Studios, Grease Monkey Games, REVV Motorsport, TOWER, Quidd, Lympo, and Forj, Pixowl, Helix Accelerator, Eden Games, Life Beyond Studios, Notre Game, TinyTap, Be Media, PIXELYNX and WePlay Media. Animoca is also an active investor in Web3 projects with a broad and growing portfolio of over 380 investments that includes OpenSea, a leading non-fungible token marketplace, Axie Infinity, a popular Pokemon-inspired blockchain-based video game, and Dapper Labs, the developer of CryptoKitties and NBA Top Shot.

Notwithstanding the crypto winter that saw the collapse of FTX, one of the largest cryptocurrency exchange platforms, and the meltdown of Terra, one of the largest stablecoin ecosystems, the Animoca group continues with its business-building trajectory:

- Taking advantage of the market weakness, the Animoca group has acquired and invested in a multitude of crypto and crypto-related entities. At the same time, it has also established collaboration with various strategic parties to further strengthen its presence in the Web3 space.
- The Animoca group has rolled out a series of non-fungible token ("NFT") centric products. Of particular note is the introduction of Mocaverse as its official profile picture ("FP") NFT collection. The Mocaverse NFT PFPs serve as membership passes for Animoca's team members, investors, partners and designated token holders and are designed to empower the connections across the ecosystem of the Animoca group and the Web3 community. In the first two days of trading on OpenSea, the Mocaverse NFT PFP sales reached 3,552 ethers (US\$5.5 million).
- To protect the interests of and to ensure the equitable distribution of value to creators of NFTs, the Animoca group has launched a set of three NFT licenses. These licences, governed by and construed in accordance with the laws of the State of New York, United States, require the payment of creator royalties as a condition for personal, commercial or unlimited use of the NFTs. The protection of the rights of NFT creators is believed to be essential for value creation in and hence the development of the NFT industry.
- The Animoca group, jointly with LayerZero, have launched the LayerZero-Animoca Brands Hackerhouse global initiative to advance cross-chain standards and interoperability of digital assets.
- The Sandbox, operated through a major subsidiary of Animoca that has been ranked as one of the 2022 TIME100 Most Influential Companies, has attracted more than 400 partners, including many high-profile and well-known names, to join its metaverse. Over 170,000 virtual land parcels have been developed and some 70% of these land parcels have been sold. The Sandbox is also planning to introduce other location-based metaverses in Singapore, South Korea and Turkey

## **DIRECTORS' REPORT (CONTINUED)**

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To cope with its business expansion, the Animoca group has appointed a number of senior management personnel including the chief business officer to lead mergers and acquisitions and business development, a co-chief operating officer to take charge of business scaling and the chief financial officer to oversee strategic financial planning.

The Animoca group, nonetheless, has not been immune to the crypto winter chill. With the plummet in the prices of digital assets and the plunge in the trading of NFTs, the financials of the Animoca group have inevitably been negatively impacted. There has also been financing outlay associated with its business expansion. However, the Animoca group remained financially robust with a cash balance of US\$214 million as of November 1 2022 according to an open letter from the co-founder and executive chairman of Animoca. In fact, despite the backdrop of the crypto winter, Animoca managed to hold multiple successful fundraising events raising a total of \$565 million and was the most funded metaverse developer in 2022 as per Nasdaq Research.

As an active and key investor with a broad and growing portfolio of over 380 investments in the web3 space, Animoca has been recognised as one of the winners in the Venture Capital category of the inaugural Fortune Crypto 40 in 2023. Being a major driving force behind the adoption of NFTs and the metaverse, Animoca has also been selected by nft now as an honouree on the NFT100 2023 List. On top of these honours in the crypto industry, the business expansion efforts of the Animoca group have further been reflected by the rise of the ranking of Animoca from #324 in 2022 to #16 in 2023 in the High-Growth Companies Asia-Pacific report compiled by the Financial Times and Statista.

### **ByteDance through the Homaer Asset Management Master Fund SPC (the “Homaer Fund”)**

The Group holds an investment in the Unicorn Equity Investment Portfolio Class A Shares of the Homaer Fund, the sole underlying investment asset of which is an equity interest in ByteDance Ltd. (“ByteDance”).

ByteDance is an unlisted holding company of a technology group that operates a series of mobile application platforms powered by artificial intelligence across cultures and geographies. The ByteDance group has a portfolio of products that are available in over 150 markets and 75 languages and that includes, amongst others, Douyin, Toutiao, TikTok, Xigua Video and Helo.

Notwithstanding the challenging environment under the continued pressure from the regulatory authorities and the resurgence of new waves of the COVID-19 infections and hence the reimplementing of the restriction measures from time to time in China, the ByteDance group managed to achieve strong growth in financial performance in 2022. Revenue was widely reported to have soared by over 30% year-on-year to more than US\$80 billion on the back of increased advertising income from Douyin and TikTok and earnings before interest, tax, depreciation and amortisation to have surged by nearly 80% year-on-year to US\$25 billion surpassing for the first time those of Alibaba and Tencent. Under the challenging environment, however, the ByteDance group implemented significant cost cuts and terminated certain riskier ventures in the gaming, education and venture investment sectors. Douyin and TikTok, on the other hand, remain the jewels of the crown of the ByteDance group with lucrative revenue streams.

Following the rebranding and reorganising of the individual storefront format of Douyin Shops to the marketplace approach of Douyin Mall, gross merchandise value (“GMV”) of the e-commerce business of Douyin was reported to have increased by 76% year-on-year to US\$208 billion in 2022. Local life services have also been introduced in the mobile application platform, allowing users to order food, buy sightseeing tickets, book hotels, participate in parent-child activities and sporting and fitness events with the click of a direct link.



**DIRECTORS' REPORT (CONTINUED)**

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GMV of the e-commerce business of TikTok in Southeast Asia was reported to have increased four-fold year-on-year to US\$4.4 billion in 2022. TikTok Shop, the in-platform shopping feature of TikTok, has also been launched in the United States and the United Kingdom, and there are plans for similar launches in other countries including Brazil and Spain.

In spite of the mounting geopolitical challenges facing TikTok around the world, it remained the most downloaded mobile application worldwide with 672 million downloads in 2022 according to Statista and is estimated to have more than 1 billion monthly active users in over 150 countries. The average user spend on the platform in terms of time was 95 minutes per day in the second quarter of 2022 based on the findings of Sensor Tower and compared favourably with 74 minutes, 51 minutes, 49 minutes, 29 minutes and 21 minutes in the case of YouTube, Instagram, Facebook, Twitter and Snapchat respectively. To further enhance its functionality, TikTok has added new features such as 10-minute videos, Search Ads, TikTok Stories, TikTok Now, TikTok Music and Photo Mode, making it an all-in-one mobile application for social media, messaging, services, payments and more.

Two other mobile applications of the ByteDance group have recently caught media attention in the United States. CapCut, which provides a variety of user-friendly editing functions and is compatible for use with TikTok, has hit more than 500 million downloads in Google Play Store. Lemon8, a content sharing mobile application with the combined elements of Pinterest and Instagram, shot to the top 10 of the App Store's chart in late March 2023. As a leading developer in the mobile application space, the ByteDance group does have the capability and resources to further solidify its market position in the industry.

In September 2022, ByteDance offered to buy back up to US\$3 billion of its own shares at a valuation of US\$300 billion, allowing early investors to cash out a portion of their gains. In March 2023, G42, an artificial intelligence and cloud computing firm from Abu Dhabi, United Arab Emirates, and controlled by the National Security Advisor of United Arab Emirates, acquired from the secondary market a US\$100m stake in ByteDance at a valuation reported to be US\$220 billion.

**Dingdong (Cayman) Limited ("Dingdong")**

The Group holds an investment in the American depositary shares of Dingdong (the "Dingdong ADS").

Listed on the New York Stock Exchange, Dingdong is the holding company of a fresh grocery e-commerce group that operates a mobile application platform, Dingdong Fresh, providing users with fresh produce, meat, seafood, prepared food and other food products supported by a self-operated frontline fulfilment grid with about 60 regional processing centres and about 1,100 frontline fulfilment stations on leased properties. The operations of the Dingdong group cover around 30 cities across China including Beijing, Shanghai, Shenzhen, and Guangzhou.

Since the strategic shift to focus on optimising operation efficiency and developing product capabilities, including strengthening product competitiveness and refining product mix through the development of private label and prepared food products, in the third quarter of 2021, followed by the strategic withdrawal of operations from several lower-tier Chinese cities that required substantial time and resources to build a meaningful presence, the Dingdong group had achieved significant improvement in financial performance. According to the 2022 audited consolidated accounts of the Dingdong group, while year-on-year growth in revenue moderated to a respectable 20%, non-GAAP net loss (considered to be a better indicator of the underlying business trends by excluding the non-cash charges of share-based compensation) narrowed from RMB6.1 billion in 2021 to RMB571 million in 2022. The narrowing in non-GAAP net loss reflected the improvement in gross margin as a result of improved product capabilities, the improvement in fulfilment efficiency driven by the increase in average order value and improved frontline labour productivity as well as the reduction in sales and marketing expenses on the back of improved brand awareness.

**DIRECTORS' REPORT (CONTINUED)**

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During the fourth quarter of 2022, the Dingdong group reached a new milestone delivering for the first time a non-GAAP net income of RMB116 million\*. Net cash generated from operating activities amounted to RMB682 million\*. With cash reserves including short-term investments totalling RMB6.5 billion at the end of 2022, the Dingdong group appears to have successfully evolved from a startup that needed external financing a few years ago to a financially self-sustaining enterprise with the financial capabilities to pursue continued business expansion in a highly competitive industry.

Because of the dispute on accounting firm inspection between the Chinese and the U.S. authorities, Dingdong was one of the many China-based companies listed on an American securities exchange that was subject to a potential risk of delisting. There was, however, a breakthrough in December 2022 when the Public Company Accounting Oversight Board of the United States (the "U.S. PCAOB"), following thorough and systematic testing and compliance verification, confirmed that complete access for the inspection and investigation of accounting firms headquartered in mainland China and Hong Kong had been secured. Accordingly, the Dingdong ADS will no longer be subject to the risk of trading prohibition on the New York Stock Exchange. Nonetheless, the U.S. PCAOB emphasised that action will be taken should access to accounting firm inspection be obstructed in any way and at any point in the future.

Notwithstanding the removal of the delisting risk and the significant improvement in financial performance, the price of the Dingdong ADS has failed to move in tandem with the ameliorating fundamentals of the Dingdong group and has remained under pressure. An impairment in the carrying value of the Group's investment in the Dingdong ADS has consequently been recognised for the year ended 31 December 2022.

*\* based on the unaudited financial information published by Dingdong*

**Innovusion through the Hermitage Fund Twelve**

Through the Hermitage Class A Shares, the Group holds an investment in the Hermitage Fund Twelve, the sole underlying investment asset is an equity interest in Innovusion.

Innovusion is an unlisted holding company of a technology group that specialises in the development of image grade LiDAR sensor systems for the autonomous vehicle and advance driver-assistance system markets. The Innovusion group has developed a product portfolio that includes both long-range front view LiDARs and mid-to-short range side view LiDARs.

Falcon is an ultralong-range high-performance front-view LiDAR, with a detecting range of 500 metres, including the detection of objects with 10% reflectivity up to 180 metres, and a horizontal field of view of 120° and a vertical field of view of 25°. With ease of customisation and integration, it is the integrated part of the standard sensor suite of the new ET7, ES7/EL7 and ET5 models introduced by Nio Inc. ("Nio") in 2022. Robin, on the other hand, is a mid-to-short range side view LiDAR with a detecting range of objects with 10% reflectivity of up to 180 metres and a horizontal field of view of up to 140° and a vertical field of view of up to 90°. With a modular design and an ultra-compact size, it can be highly customised and integrated onto side fenders, headlamps, taillights and bumpers.

In March 2022, the Innovusion group began mass production of Falcon for the first of the three Nio's models, ET7, the electric flagship sedan of Nio. The respective launch of ES7/EL7, an electric sport utility vehicle, and ET5, a mid-size electric sedan, subsequently followed. Riding on the increasing sales of these models, the Innovusion group ramped up the production of Falcon. By the end of 2022, more than 50,000 Falcon LiDAR units had been delivered. With the contribution from the sales of Falcon, the Innovusion group managed to accelerate the growth in revenue albeit from a low base.

## **DIRECTORS' REPORT (CONTINUED)**

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As a prominent developer of LiDAR sensor systems, the Innovusion group entered into a cooperation agreement with another major industry player. In May 2022, Innovusion formed a strategic alliance with TuSimple Holdings, Inc. ("TuSimple"), an autonomous technology company from the United States, to explore the integration of the LiDARs of the Innovusion group into TuSimple's self-driving trucks under the unmanned port logistics and urban freight transport scenarios. The goal was to advance the development and large-scale adoption of driverless technology for heavy truck freight in China.

At the 24th China Expressway Informatization Conference and Technology and Production Exposition in July 2022, the Innovusion group announced the release of OmniSense CD2.0, a proprietary holographic vehicle sensing solution. The proprietary sensing solution utilises in-house developed graphic-level LiDAR and deep learning algorithm-based perception capabilities to detect and collect real-time information of traffic flow, vehicle speed and other road conditions and is capable of identifying vehicles that engage in improper or dangerous driving behaviours with a view to improving transportation efficiency and safety.

In December 2022, Falcon was selected by Faraday Future Intelligent Electric Inc. ("Faraday"), a global shared intelligent electric mobility ecosystem corporation from the United States, to be integrated into the FF 91's autonomous driving system. In anticipation of the business from Nio and Faraday, the Innovusion group is in the process of expanding its production capacity to 300,000 units of LiDARs per annum.

Apart from attracting commercial interests, Falcon is also highly recognised in the trade having been honoured with the 2023 CES Innovation Award, a recognition by the Consumer Technology Association in the United States for outstanding design and engineering in consumer technology products, and won the Tech.AD Europe Award 2023 in the Perception and Sensing category.

### **Velocity Mobile Limited ("Velocity")**

Velocity, an unlisted investee company of the Group, is the holding company of a technology group that operates a lifestyle mobile e-commerce platform targeting premium consumers with services focusing on the sectors of high-end travel, experiences and luxury goods.

Having taken the opportunity to invest in and upgrade its technological capabilities during the worst of the COVID-19 pandemic, the Velocity group has been particularly well placed to benefit from the tailwind of recovery on the back of the gradual receding of the ill effects of the health crisis. In particular, with the scrapping of most restriction measures, premium consumers looking for luxury lifestyle activities and experiences that were sorely lacking under the lockdowns have provided a boost in the demand for the services of the Velocity group. Meantime, the proprietary concierge automation software, Gravity, continues to drive operation efficiency and productivity. Velocity Black, the consumer product of the Velocity group, remains in demand as invitation for new membership has to be requested. Velocity for Business, the enterprise product of the Velocity group, has on the other hand been reaping the contributions from previously signed contracts the commencement of which had been delayed because of the COVID-19 pandemic.

In March 2023, the Velocity group further expanded its experiences offer. Through the partnership with Aston Martin Aramco Cognizant Formula One™ Team (the "Aston Martin Team"), Velocity Black members will be offered VIP access to races and special events and to meet the drivers of the Aston Martin Team.

Despite the encouraging development achieved by the Velocity group, based on the valuation of the Velocity shares prepared by an independent valuer, an impairment in the carrying value of the Group's investment in Velocity has been recognised for the year ended 31 December 2022, reflecting the depreciation in the British Pound Sterling and the decline in enterprise value to sales multiples of comparable companies.

## **DIRECTORS' REPORT (CONTINUED)**

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### **Oasis Education Group Limited (“Oasis Education”)**

Oasis Education is a 50% joint venture of the Group. The operating subsidiary of Oasis Education, Oasis Education Consulting (Shenzhen) Company Limited (奧偉詩教育諮詢(深圳)有限公司, “Oasis Shenzhen”), provides consulting and support services to the Huizhou Kindergarten in the Guangdong Province of China.

Following the graduation of 58 pupils in the summer of 2022, the Huizhou Kindergarten enrolled 112 new pupils for the academic term that commenced in September 2022 and another 17 new pupils for the academic term that commenced in February 2023, thus bringing its total pupil enrolment to a record high of 315. The continued increase in total pupil enrolment is expected to have a positive impact on the cash flow position of the Huizhou Kindergarten.

Because of the resurgence of new waves of the COVID-19 infections and hence the reimplementation of the restriction measures, the Huizhou Kindergarten had to suspend in-person classes for around a month. But the suspension did not prevent the kindergarten from providing quality online distance learning experience with active interaction with and participation from its pupils. This has earned favourable feedback from its pupils and their parents.

In December 2021, the Huizhou Kindergarten made a repayment of RMB400,000 to Oasis Shenzhen to retire part of its borrowings which were related to the set-up costs incurred at the time when the kindergarten was established. It is expected that another repayment will be made in 2023.

### **Agrios**

Please refer to the Company's 2021 Annual Report and 2022 Interim Report.

The Group's investment in Agrios had been completely written off in its financial statements for the year ended 31 December 2020.

### **Ayondo**

Please refer to the Company's 2021 Annual Report and 2022 Interim Report.

The Group's investment in Ayondo had been completely written off in its financial statements for the year ended 31 December 2020.

## **PROSPECTS**

According to the World Economic Outlook report published by the International Monetary Fund in April 2023, global economic growth is forecasted to fall from 3.4% in 2022 to 2.8% in 2023 and the corresponding figures for the advanced economies are projected to slow from 2.7% to 1.3%. Global headline inflation is expected to remain high at 7.0% in 2023 despite a small decline from 8.7% in 2022 due to lower commodity prices. The aggressive increases in interest rates have started to put pressure on corporations with high levels of debts and in particular on their cash flow management. Policy makers are facing the conundrum as to how best to balance fiscal and monetary measures to ensure economic growth and stability especially in the financial system.

Despite the prevailing uncertain economic environment and the ongoing Russia-Ukraine war, the leading stock markets of the world had shown remarkable resilience during the first quarter of 2023. Apart from market liquidity, perhaps the anticipation of the decline in inflation rate, albeit at a slow pace, has induced positive confidence amongst investors. The same could be true for private equity investments. Given the sheer level of dry powder, private equity investors view the contracting valuations as buying opportunities and competition for quality deals are expected to remain vigorous and intense.

## DIRECTORS' REPORT (CONTINUED)

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In the developing countries, the story is somewhat different. Notably, the growth in the Chinese economy is forecasted to accelerate to between 5% and 5.5% in 2023. The implementation of the dynamic zero-COVID policy, the regulatory crackdown on the Internet and technology companies and the tightening of credits to the real estate sector had over the past few years restrained domestic aggregate demand with inflation remaining under control. But with the strategic shift in the pandemic management approach and the uplifting of lockdown measures, the Chinese economy is expected to be revitalised and regain momentum and, in the absence other economic shocks, to progressively resume its long-term growth trend. Under the relatively tame inflationary environment, the Chinese government has launched and is expected to further introduce stimulus measures to expand economic activities with emphasis targeting the technology, infrastructure, clean energy, semiconductor, healthcare and consumer sectors. Amongst the Group's underlying investment assets, Bytedance, and Innovusion, as well as its investments in Dingdong and Oasis Education are likely to benefit from these measures as their operations are mainly China-focused with certain of them having favourable exposure to the targeted sectors. Meanwhile, in spite of the sharp increases in interest rates, the ICBC Ship Fund will continue to provide an attractive and stable dividend contribution to the Group, while Velocity and Animoca are well-placed to benefit from the acceleration in the digital transformation and the shift in consumer behaviours towards online channels brought about by the COVID-19 pandemic.

### DIRECTORS

The directors during the year under review and up to the date of this report were and are:

Non-Executive Chairman  
Alastair Gunn-Forbes\*

Executive Directors  
Henry Ying Chew Cheong  
Ernest Chiu Shun She

Non-Executive Directors  
Mark Chung Fong\*  
Martyn Stuart Wells\*  
Stephen Lister d'Anyers Willis\*

*\* independent*

Brief biographical notes of the directors serving at the date of this report are set out on pages 70 to 72.

Save as disclosed in this report and in note 26 to the consolidated financial statements on page 67, none of the directors had during the year under review or at the end of the year a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiaries.

Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells have served on the Board for more than nine years. (In accordance with Provision 21 of the UK Corporate Governance Code on corporate governance published in July 2018 by the Financial Reporting Council of the United Kingdom (the "Code"), Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells retired by rotation and were re-elected to office by separate resolutions passed at the Annual General Meeting held on 11 November 2022). During the past ten year period, however, none of them has had any major interest in the issued share capital of the Company, has been an employee or involved in the daily management of any of the Group companies, or has had any material relationship with any of the Group companies or any of the major shareholders or managers of any such companies other than being a member of the Board. Accordingly, and in accordance with Provision 10 of the Code, the Board has determined that their independence and objectivity have not been impaired and that they will therefore be able to continue to act independently in character and judgement.

**DIRECTORS' REPORT (CONTINUED)**

At the Annual General Meeting held on 29 September 2014, shareholders approved the inclusion of the Group's non-executive directors as eligible participants of the Worldsec Employee Share Option Scheme 1997 (the "Scheme"). As explained in the 2014 annual report of the Company, the reason for such inclusion was to enable the Group to reward its non-executive directors for their commitments to the Company beyond the nominal annual fees that the Group could afford to pay during its development stage. Accordingly, and in accordance with Provision 10 of the Code, given that such circumstances have basically remained unchanged as the Group has yet to make a profit on a consistent basis, the Board has determined that the participation of Messrs Alastair Gunn-Forbes, Mark Chung Fong, Martyn Stuart Wells and Stephen Lister d'Anyers Willis in the Scheme will not affect their ability to act independently in character and judgement.

**DIRECTORS' INTERESTS**

The interests of the individuals who were directors during the year under review in the issued share capital of the Company, including the interests of persons connected with a director (within the meaning of Sections 252, 253 to 255 of the United Kingdom Companies Act 2006 as if the Company were incorporated in England), the existence of which was known to, or could with reasonable diligence be ascertained by, that director, whether or not held through another party, were as follows:

	<b>At 1 January 2022</b>	<b>At 31 December 2022</b>
	<b><u>No. of shares</u></b>	<b><u>No. of shares</u></b>
Alastair Gunn-Forbes	45,000	45,000
Henry Ying Chew Cheong (Note i)	11,722,620	11,722,620
Mark Chung Fong	Nil	Nil
Ernest Chiu Shun She	550,095	550,095
Martyn Stuart Wells	Nil	Nil
Stephen Lister d'Anyers Willis	16,000	16,000

Note: Mr Henry Ying Chew Cheong ("Mr Cheong") wholly owns HC Investment Holdings Limited ("HCIH"). HCIH beneficially owned 20,000,000 ordinary shares of US\$0.001 each in the Company at 1 January 2022 and 31 December 2022, respectively.

In total, Mr Cheong and his associates were the legal and beneficial owners of 31,722,620 ordinary shares of US\$0.001 each in the Company, representing 37.3% of the Company's issued share capital, at 1 January 2022 and 31 December 2022, respectively. The Company and Mr Cheong entered into a relationship agreement on 2 August 2013 (the "Relationship Agreement"). Pursuant to the Relationship Agreement, Mr Cheong has agreed to exercise his rights as a shareholder at all times, and to procure that his associates exercise their rights, so as to ensure that the Company is capable of carrying on its business independently of Mr Cheong or any control which Mr Cheong or his associates may otherwise be able to exercise over the Company. Moreover, Mr Cheong has undertaken to ensure, so far as he is able to, that all transactions, relationships and agreements between Mr Cheong or his associates and the Company or any of its subsidiaries are on arms' length terms on a normal commercial basis. Mr Cheong and the Company have also agreed, amongst other things, that he will not participate in the deliberations of the Board in relation to any proposal to enter into any commercial arrangements with Mr Cheong or his associates.

	<b>At 1 January 2022</b>	<b>At 31 December 2022</b>
	<b><u>No. of share options (Note)</u></b>	<b><u>No. of share options (Note)</u></b>
Alastair Gunn-Forbes	850,000	850,000
Henry Ying Chew Cheong	850,000	850,000
Mark Chung Fong	850,000	850,000
Ernest Chiu Shun She	850,000	850,000
Martyn Stuart Wells	850,000	850,000
Stephen Lister d'Anyers Willis	Nil	Nil

**DIRECTORS' REPORT (CONTINUED)**

Note: 500,000 of the share options granted on 1 December 2015 entitle the holders to subscribe on a one for one basis new ordinary shares of US\$0.001 each in the Company at an exercise price of US\$0.122 per share. These share options vested six months from the date of grant and were then exercisable within a period of 9.5 years. 350,000 of the share options granted on 29 May 2019 entitle the holders to subscribe on a one for one basis new ordinary shares of US\$0.001 each in the Company at an exercise price of US\$0.034 per share. These share options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

Subsequent to the year end on 20 February 2023, the Company granted 350,000 share options to Mr. Willis to subscribe on a one for one basis new ordinary shares of US\$0.001 each in the Company at an exercise price of US\$0.034 per share under the Scheme. The share options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

Save as disclosed above, none of the above-named directors had an interest, whether beneficial or non-beneficial, in any shares or debentures of any Group companies at the beginning or at the end of the year under review. Save as disclosed above, none of the above-named directors, or members of their immediate families, held, exercised or were awarded any right to subscribe for any shares or debentures of any Group companies during the year.

The Board confirms that (i) the Company has complied with the independence provisions set out in the Relationship Agreement since it was entered into; and (ii) so far as the Company is aware, Mr Cheong and his associates have complied with the independence provisions set out in the Relationship Agreement since it was entered into.

**DIRECTORS' REMUNERATION**

The remuneration of the directors for the year ended 31 December 2022 was as follows:

	<b>Fees</b>	<b>Share-based</b>	<b>Other</b>	
	<b>US\$'000</b>	<b>payment expenses</b>	<b>emoluments</b>	<b>Total</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Alastair Gunn-Forbes	12.0	-	-	12.0
Henry Ying Chew Cheong	12.0	-	-	12.0
Mark Chung Fong	12.0	-	-	12.0
Ernest Chiu Shun She	12.0	-	-	12.0
Martyn Stuart Wells	12.0	-	-	12.0
Stephen Lister d'Anyers Willis	12.0	-	-	12.0
	<u>72.0</u>	<u>-</u>	<u>-</u>	<u>72.0</u>

**PROVIDENT FUND AND PENSION CONTRIBUTIONS FOR DIRECTORS**

During the year under review, there was no provident fund and pension contributions for the directors.

**LETTERS OF APPOINTMENT/SERVICE CONTRACTS**

Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells, each has entered into a letter of appointment with the Company dated 28 November 2017, and Mr Stephen Lister d'Anyers Willis has entered into a letter of appointment with the Company dated 3 June 2019, to serve as non-executive director. Each of them is entitled to a fee of £10,000 per annum. The appointment may be terminated on one month notice in writing.

**DIRECTORS' REPORT (CONTINUED)**

Messrs Henry Ying Chew Cheong and Ernest Chiu Shun She, each has entered into a letter of appointment with the Company dated 2 August 2013 to serve as executive director. Each of them is entitled to a fee of £10,000 per annum. The appointment may be terminated on not less than six month notice in writing.

All directors are eligible to participate in the Group's bonus arrangements under which bonuses may be granted at the discretion of the Remuneration Committee and the Board. No bonus was recommended for the year ended 31 December 2022.

Save as disclosed above, there are no existing or proposed letters of appointment or service contracts between any of the directors and the Company or any of its subsidiaries which cannot be determined without payment of compensation (other than any statutory compensation) within one year.

**MAJOR INTERESTS IN SHARES**

At 14 March 2023, the Company was aware of the following direct or indirect interests representing 5% or more of the Company's issued share capital:

	<b><u>No. of shares</u></b>	<b><u>Percentage of issued share capital</u></b>
HC Investment Holdings Limited (Note i)	20,000,000	23.5%
Yue Wai Keung	4,837,500	5.7%
Luis Chi Leung Tong	5,000,000	5.9%
Henry Ying Chew Cheong	11,722,620	13.8%
Aurora Nominees Limited (Note ii)	18,770,000	22.1%
Vidacos Nominees Limited (Note ii)	5,504,534	6.5%

Notes: (i) Mr Cheong is the legal and beneficial owner of the entire issued share capital of HCIH.

(ii) Aurora Nominees Limited and Vidacos Nominees Limited act as custodians for their customers, to whom they effectively pass all rights and entitlements, including voting rights.

**INTERNAL CONTROL, RISK MANAGEMENT AND FINANCIAL REPORTING**

The Board is responsible for establishing and maintaining appropriate systems of internal control and risk management to safeguard the Group's interests and assets. The control measures that have been put in place cover key areas of operations, finance and compliance and aim to manage rather than eliminate risks that are inherent in the running of the business of the Group. Accordingly, the Group's systems of internal control and risk management are expected to provide reasonable but not absolute assurance against material misstatements, loss or fraud.

Amongst the control measures, the key steps that have been put in place include:

- the setting of the investment strategy and the approval of significant investment decisions of the Group by the Board to ensure consistency with the investment objective and compliance with the investment policy of the Company;
- the segregation of duties between the investment management and accounting functions of the Group;
- the adoption of written procedures in relation to the operations of the bank accounts of the Group;



## **DIRECTORS' REPORT (CONTINUED)**

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- the adoption of written procedures to deal with conflicts of interests and related party transactions;
- the maintenance of proper accounting records providing with reasonable accuracy at any time information on the financial position of the Group;
- the review by the Board of the management accounts of the Group on a regular basis; and
- the engagement of external professionals to carry out company secretarial works for the Company and to assist the Group on compliance issues.

The Board considers the identification, evaluation and management of the principal risks faced by the Group under the changing environment to be an ongoing process and has kept under regular review the effectiveness of the Group's systems of internal control and risk management. The Board is satisfied that the arrangements that have been put in place represent an appropriate framework to meet the internal control and risk management requirements of the Group.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Board considers that the principal risks and uncertainties that are relevant to the Group include:

#### **Target market risk**

Under the investment policy of the Company, the Group focuses on investing in small to medium sized trading companies based mainly in the Greater China and South East Asian region. Consequently, a sharp or prolonged downturn in the economic environment or a heightened uncertainty in the political environment in these target markets could adversely and seriously affect the underlying investments of the Group. This is clearly a risk factor beyond the Group's control. Nevertheless, in line with the investment policy of the Company, the Board would seek to invest in and maintain a diversified portfolio in order to spread the investment risk of the Group.

#### **Investment opportunity risk**

Despite the sharp tightening in monetary policies and the aggressive increases in interest rates across major economies to control spiralling inflation, investment capital and dry powder accumulated by the private equity sector during the ultra-low interest rate era remain abundant. Under such an environment, competition for quality deals, particularly under contracting valuations, is expected to continue to be vigorous and intense. This would limit the availability of attractive investment opportunities for the Group. However, the Company has maintained a broadened investment policy. This would offer greater flexibility for the Group to make investment choices from a broader range of opportunities to achieve the Company's investment objective.

#### **Key person risk**

As the Group does not engage any external investment manager, the Board is responsible for overseeing the Group's investment management activities with frontline management duties delegated to the executive directors. The Group is therefore heavily dependent on the executive directors' abilities to identify and evaluate investment targets, execute and implement investment decisions, monitor investment performance and execute and implement exit decisions. Both of the executive directors, Messrs Henry Ying Chew Cheong and Ernest Chiu Shun She, have entered into a letter of appointment with the Company with a termination clause of not less than six month notice. Moreover, Mr Cheong is also the deputy chairman and a major shareholder beneficially holding a substantial interest in the Company's issued share capital.

## **DIRECTORS' REPORT (CONTINUED)**

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### Operational risks

The Group is exposed to various operational risks that are inherent in the running of its business, including, amongst others, the failure to comply with the investment policy of the Company, the failure to prevent misstatements, loss or fraud due to inadequacies in the Group's internal operational processes, and the failure to comply with applicable rules and regulations by the Group. As mitigating measures, the Board has established and maintained systems of internal control and risk management to safeguard the Group's interests and assets, details of which are set out in the section headed "Internal Control, Risk Management and Financial Reporting" on pages 13 to 14.

### Financial risks

The Group is exposed to a variety of financial risks, including market risks, credit risk and liquidity risk, which arise from its operating and investment management activities. The Group's management of such risks is coordinated at the office of Worldsec Investment (Hong Kong) Limited, the principal operating subsidiary of the Group, in close cooperation with the Board. Details of the Group's approach on financial risk management are described in note 5(b) to the consolidated financial statements on pages 50 to 54.

### COVID-19 pandemic risk

After battling with the COVID-19 pandemic for some three years, the world has progressively returned to normality, or rather, settling down in a new normal under the legacies of the health crisis that include a profound change in the daily lives of a vast proportion of the population across the globe. While corporate global is back in business, economic and business activities remain under the threats of the coronavirus. As an investment holding company, the Company has through its subsidiaries invested in various business sectors in different regional markets and would not be immune to the long COVID-19 effects as the resurgence of new waves of infections and the emergence of new variants are expected from time to time. Nevertheless, with the the acceleration in the digital transformation and the shift in consumer behaviours towards online channels brought about by the COVID-19 pandemic, certain of the investee companies and investments of the Group could take advantage of any adverse situations as opportunities to advance and expand their business.

## **VIABILITY STATEMENT**

The directors have assessed the viability of the Company for the three years to 31 December 2025.

The directors consider that, for the purposes of this viability statement, a three year period is appropriate taking into account the Group's investment horizon under its investment strategy. Besides, there should unlikely be any significant change to most of the principal risks and uncertainties facing the Group over the timeframe selected for the assessment.

In assessing the viability of the Company and its ability to meet liabilities as they fall due, the directors have taken into consideration, amongst others:

- the investment strategy of the Group;
- the current position including the existing financial status and cost structure of the Group;
- the prospects of and the industry outlook for the Group;
- the economic and political environment of the Greater China and South East Asian region, the primary target markets in which the Group focuses its investment; and
- the potential adverse impact of the principal risks and uncertainties facing the Group and the effectiveness of the mitigating measures that have been put in place, details of which are described in the section headed "Principal Risks and Uncertainties" on pages 14 to 15.

## **DIRECTORS' REPORT (CONTINUED)**

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The directors note, in particular, that the Group:

- has a liquid amount of unrestricted cash and bank balances;
- does not have any borrowings;
- does not have any commitments other than certain leases with modest lease liabilities; and
- has low operating expenses with a small but stable team under stringent cost control.

Accordingly, the directors are confident that the Company will be able to continue in operation and meet its liabilities as they fall due over the assessment period.

### **GOING CONCERN**

After making careful enquiries, the directors have formed a judgement, at the time of approving the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022, that there was a reasonable expectation that the Group would have adequate resources to carry out its operations for a period of at least twelve months from the date of approving the consolidated financial statements. For this reason, the directors have adopted the going concern basis in preparing the consolidated financial statements.

### **CORPORATE GOVERNANCE**

As a company with a premium listing on the Main Market of the London Stock Exchange, its business is subject to the principles contained in the Code, a copy of which is available on the website of the Financial Reporting Council of the United Kingdom. The Board confirms that, throughout the accounting period from 1 January to 31 December 2022, the Group complied with the relevant provisions of the Code, apart from certain exceptions set out and explained below.

The Board, comprising a non-executive chairman, three non-executive directors and two executive directors, is committed to maintaining a high standard of corporate governance. All non-executive directors are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All directors are able to take independent professional advice in furtherance of their duties, if necessary.

The Board is responsible for establishing strategic directions and setting objectives for the Company and making significant investment decisions and monitoring the performance of the Group. The management is responsible for the day to day running of the Group's operations.

### **BOARD MEETING**

The Board held four meetings during the year under review and the table below gives the attendance record.

<b><u>Director</u></b>	<b><u>Board Meeting</u></b>
Alastair Gunn-Forbes	4/4
Henry Ying Chew Cheong	4/4
Ernest Chiu Shun She	4/4
Mark Chung Fong	4/4
Martyn Stuart Wells	4/4
Stephen Lister d'Anyers Willis	4/4

**DIRECTORS' REPORT (CONTINUED)**

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Although the Board notes the requirement for a Nomination Committee (Provision 17 of the Code) to make recommendations to the Board on all new board appointments and to reassure shareholders of the suitability of a chosen director, the Board considers that, due to its small size and limited level of activities, it is not necessary to establish such a committee. The Board as a whole remains responsible for ensuring that a transparent, formal and rigorous process would be followed for any future board appointments, which would be made following a full review of the Board's balance of skills, experience, independence and knowledge. Any future recruitment process would also provide an opportunity to improve the diversity of the Board. The Board is satisfied that appropriate succession planning is in place for appointments to both the Board and senior management.

Again, due to its small size and limited level of activities, the Board has not appointed a senior independent director and did not consider an annual self-evaluation to be required during the year under review. The responsibilities normally rested with a senior independent director have been reverted to the Board as a whole. These decisions will be re-considered annually by the Board.

The Board established both an Audit Committee and a Remuneration Committee upon the re-activation of the Group's business in 2013. Details of these committees are set out below.

**AUDIT COMMITTEE**

The Audit Committee held two meetings during the year under review and the table below gives the attendance record.

<b><u>Director</u></b>	<b><u>Audit Committee Meeting</u></b>
Mark Chung Fong	2/2
Martyn Stuart Wells	2/2
Stephen Lister d'Anyers Willis	2/2

The Audit Committee is chaired by Mr Mark Chung Fong and its other current members are Messrs Martyn Stuart Wells and Stephen Lister d'Anyers Willis. The Audit Committee is appointed by the Board and the committee's membership is comprised wholly of non-executive directors.

The terms of reference of the Audit Committee (copies of which are available at the Company's registered office and the Company's website) generally follow, where applicable, those stated in the provisions of the Code.

The Audit Committee meets a minimum of two times a year and may be convened at other times if required. The responsibilities of the Audit Committee include, amongst others, the examination and review of the Group's risk management, internal financial controls and financial and accounting policies and practices, as well as overseeing and reviewing the work of the Company's external auditor, their independence and the fees paid to them.

During the year under review, the activities undertaken by the Audit Committee in discharge of its duties and functions included (i) the review and recommendation to the Board of the reappointment of BDO Limited as the Company's external auditor; (ii) the review and recommendation to the Board for approval of the annual report of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021; and (iii) the review and recommendation to the Board for approval of the interim report of the Company and the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2022. In recommending the reappointment of BDO Limited, the Audit Committee has taken into consideration, amongst others, BDO Limited's independence, objectivity and terms of engagement.

**DIRECTORS' REPORT (CONTINUED)**

Subsequent to the year end, the activities that have been undertaken by the Audit Committee in relation to 2022 included (i) the review and recommendation to the Board of the annual report of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022; (ii) the monitoring of the effectiveness of the Group's risk management and internal financial controls; and (iii) the assessment of the effectiveness of the external audit process through feedback from the management involved in the audit and through interactions with and observations and review of the level of audit services provided.

As the scale of the operations of the Group remains relatively insubstantial, the Board has decided and the Audit Committee concurs that it would not be necessary or cost-effective to set up an internal audit function.

In connection with the review of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022, the Audit Committee has identified and reviewed two issues which it considered significant and details on these matters are set out in the table below.

<b><u>Significant Reporting Issue</u></b>	<b><u>Review and Assessment</u></b>
Impairment review of the Group's interests in respect of its 50% owned joint venture, Oasis Education – At 31 December 2022, the Group had an equity interest of US\$71,000 in and an amount of US\$257,000 due from Oasis Education. These carrying amounts were significant in the Group's context and their valuations were subject to judgements, estimation uncertainties and assumptions.	The Audit Committee has (i) reviewed the operational and financial performance and the latest development of Oasis Education and its subsidiary; and (ii) assessed the assumptions underlying the cash flow projection for Oasis Education and its subsidiary as well as the reliability of such projection by comparing relevant historic budgets with actual results.
Valuation of investments classified as financial assets at fair value through profit or loss ("FVTPL") categorised within level 3 of the fair value hierarchy – At 31 December 2022, the Group had interests in the ICBC Shipping Fund, Animoca, the Homaer Fund, Innovusion, Velocity, Agrios and Ayondo, all of which were accounted for as financial assets at FVTPL categorised within the level 3 of the fair value hierarchy, totalling US\$4,372,000 and carried at fair value. These carrying amounts were significant in the Group's context and their valuations were subject to judgements, estimation uncertainties and assumptions.	The Audit Committee has (i) reviewed the operational and financial performance and the latest development of the financial assets at FVTPL categorised within level 3 of the fair value hierarchy; and (ii) reviewed the valuation findings prepared by the management and in the case of Velocity by an independent valuer and discussed with the management and the independent valuer the methodologies, assumptions and input parameters used in relation to such valuation.

BDO Limited was appointed as the external auditor of the Company in February 2015, since when audit services have not been tendered competitively. The Audit Committee has concluded that a competitive tender of audit services is not necessary at this time, but acknowledges that circumstances could arise where a competitive tender for audit services may be desirable. The performance of BDO Limited as the Company's external auditor will be kept under annual review, and if satisfactory, BDO Limited will be recommended by the Audit Committee for reappointment. There are, however, no contractual obligations that would restrict the Audit Committee's choice of external auditor for the Company.

## **DIRECTORS' REPORT (CONTINUED)**

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As advised by the Audit Committee and concurred with by the Board, the annual report of the Company and the audited consolidated financial statements for the year ended 31 December 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

### **REMUNERATION COMMITTEE**

In accordance with Provision 32 of the Code, the Company has set up a Remuneration Committee. The Remuneration Committee held one meeting during the year under review and the table below gives the attendance record.

<b><u>Director</u></b>	<b><u>Remuneration Committee Meeting</u></b>
Martyn Stuart Wells	1/1
Alastair Gunn-Forbes	1/1
Mark Chung Fong	1/1
Stephen Lister d'Anyers Willis	1/1

The Remuneration Committee is chaired by Mr Martyn Stuart Wells and its other current members are Messrs Alastair Gunn-Forbes, Mark Chung Fong and Stephen Lister d'Anyers Willis. The Remuneration Committee is appointed by the Board and the committee's membership is comprised wholly of non-executive directors.

The terms of reference of the Remuneration Committee (copies of which are available at the Company's registered office and the Company's website) generally follow, where applicable, those stated in the provisions of the Code. They provide for the Remuneration Committee to meet at least two times a year. However, as the Group has a very small and stable workforce, the Remuneration Committee did not consider it meaningful or necessary to hold more than one meeting during the year under review.

The Remuneration Committee's responsibilities include, amongst others, the evaluation of the performance of the executive directors and senior staff, and the comparison of the Group's remuneration policy with similar organisations in the market to form the basis for the recommendations to the Board to determine the remuneration packages, which may include the grant of share options under the Scheme, for individual staff and director members.

In accordance with the Main Principle of Provision Q of the Code, no director has been involved in deciding his own remuneration.

During the year under review, the activities undertaken by the Remuneration Committee in discharge of its duties and functions included the review of and recommendation to the Board to retain the Group's previous remuneration arrangements.

**DIRECTORS' REPORT (CONTINUED)****WORLDSEC EMPLOYEE SHARE OPTION SCHEME 1997**

The following table discloses the movements of the outstanding share options under the Scheme during the year under review.

<b>Grantee</b>	<b>Exercisable period</b>	<b>Number of options</b>					<b>Balance at 31 December 2022</b>	<b>Exercise price per share (US\$)</b>
		<b>Balance at 1 January 2022</b>	<b>Granted during the year</b>	<b>Exercised during the year</b>	<b>Forfeited during the year</b>	<b>Lapsed during the year</b>		
Directors	29 November 2019 to 28 May 2029	1,750,000	-	-	-	-	1,750,000	0.034
	1 June 2016 to 30 November 2025	2,500,000	-	-	-	-	2,500,000	0.122
	29 November 2019 to 28 May 2029	300,000	-	-	-	-	300,000	0.034
	1 June 2016 to 30 November 2025	450,000	-	-	-	-	450,000	0.122
Employees		5,000,000	-	-	-	-	5,000,000	

Subsequent to the year end on 20 February 2023, the Company granted 350,000 share options to Mr. Willis to subscribe on a one for one basis new ordinary shares of US\$0.001 each in the Company at an exercise price of US\$0.034 per share under the Scheme. The share options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

Further details relating to the granting of the share options are set out in note 25 to the consolidated financial statements on pages 66 to 67.

**RELATION WITH SHAREHOLDERS**

Communication with shareholders is given high priority. Information about the Group's activities is provided in the annual report and the interim report of the Company which are sent to shareholders each year and are available on the website of the Company. All shareholders are encouraged to attend the Annual General Meeting at which directors are introduced and available for questions. Enquiries are dealt with in an informative and timely manner. Directors, including non-executive directors, are also available to meet with major shareholders on request.

**DIRECTORS' REPORT (CONTINUED)**

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**EXTERNAL AUDITOR**

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022 have been audited by BDO Limited.

A resolution will be submitted to the next Annual General Meeting to reappoint BDO Limited as the Company's external auditor.

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On behalf of the Board

**Henry Ying Chew Cheong**  
Executive Director  
25 April 2023



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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The directors are required under the Bermuda Companies Act 1981 to prepare consolidated financial statements for each financial year. The directors acknowledge responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2022, which give a true and fair view of the financial position of the Group as at the end of that financial year and of the financial performance of the Group for that year and which provide the necessary information for shareholders to assess the business activities and performance of the Group during that year. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that the above requirements have been met.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for the Group's system of internal financial controls, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The directors further confirm that, to the best of their knowledge and understanding, the chairman's statements on pages 1 to 2 and the directors' report on pages 3 to 21 include a fair review of the development and performance of the business and the position of the Company and its subsidiaries taken as a whole together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

**Henry Ying Chew Cheong**  
Executive Director  
25 April 2023

## **INDEPENDENT AUDITOR'S REPORT**

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### **TO THE MEMBERS OF WORLDSEC LIMITED** *(incorporated in Bermuda with limited liability)*

### **REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **OPINION**

We have audited the consolidated financial statements of Worldsec Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 28 to 68, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). 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 International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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.

### **IMPAIRMENT ASSESSMENT OF INTEREST IN A JOINT VENTURE AND AMOUNT DUE FROM A JOINT VENTURE**

*Refer to note 17 to the consolidated financial statements*

The Group owns a 50% interest in a joint venture, Oasis Education Group Limited (“Oasis Education”), which is accounted for using the equity method less any impairment loss. The interest in this joint venture amounted to approximately US\$71,000 as at 31 December 2022 and the Group’s share of its losses amounted to approximately US\$2,000 for the year then ended.

In addition, the Group has advanced an amount of approximately US\$257,000 to Oasis Education as at 31 December 2022, which is subject to an impairment assessment by management.

The impairment assessment of investment in, and amount due from, Oasis Education is considered by us as a key audit matter due to significant judgement made by management over the assumptions on the future cash flows to be generated from the operation of Oasis Education.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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**TO THE MEMBERS OF WORLDSEC LIMITED**  
*(incorporated in Bermuda with limited liability)*

**KEY AUDIT MATTERS (CONTINUED)**

**IMPAIRMENT ASSESSMENT OF INTEREST IN A JOINT VENTURE AND AMOUNT DUE FROM A JOINT VENTURE (CONTINUED)**

**Our response:**

Our audit procedures in relation to this matter included:

- Obtaining an update of the latest development of Oasis Education's operation;
- Assessing the financial performance of Oasis Education based on information provided by management;
- Evaluating management's considerations of the impairment indicators of the investment in, and the amount due from, Oasis Education;
- Assessing the appropriateness of the management's assumptions concerning the future cash flows to be generated from the operation of Oasis Education; and
- Assessing reliability of the joint venture's forecast by comparing historical budget to actual performance and obtaining explanations from management on any significant variances identified.

**FAIR VALUE MEASUREMENT OF INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") CATEGORISED WITHIN LEVEL 3 OF THE FAIR VALUE HIERARCHY**

*Refer to notes 5(c)(iii) and 18 to the consolidated financial statements*

As at 31 December 2022, the Group held a number of financial assets at fair value through profit or loss, with measurement categorised within the level 3 of the fair value hierarchy, totalling approximately US\$4,372,000.

The fair value determination of these financial assets at the end of the reporting period involves the determination of appropriate valuation models as well as the selection of inputs and assumptions made by management. Different valuation models, as well as inputs and assumptions applied may lead to a significant change in the fair value of these financial assets.

We identified fair value determination of these financial assets as a key audit matter because it involves a high degree of estimation uncertainty and judgement; and their aggregate carrying value is material to the Group's consolidated financial statements taken as a whole.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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**TO THE MEMBERS OF WORLDSEC LIMITED**  
*(incorporated in Bermuda with limited liability)*

**KEY AUDIT MATTERS (CONTINUED)**

**FAIR VALUE MEASUREMENT OF INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS CATEGORISED WITHIN LEVEL 3 OF THE FAIR VALUE HIERARCHY (CONTINUED)**

**Our response:**

Our audit procedures in relation to this matter included:

- Assessing the appropriateness of valuation methodologies applied on the fair value determination of these financial assets;
- Evaluating the reasonableness and relevance of key inputs and assumptions used in the fair value determination; and
- Involving an auditor's expert to assist our assessment on the appropriateness of the valuation methodologies and reasonableness of key inputs and assumptions used in the fair value determination.

**OTHER INFORMATION IN THE ANNUAL REPORT**

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

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

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

**DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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**TO THE MEMBERS OF WORLDSEC LIMITED**  
*(incorporated in Bermuda with limited liability)*

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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**TO THE MEMBERS OF WORLDSEC LIMITED**  
*(incorporated in Bermuda with limited liability)*

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

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

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

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

**REPORT ON OTHER REGULATORY REQUIREMENTS**

Under the listing rules of the Financial Conduct Authority in the United Kingdom (the "Listing Rules"), we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review in accordance with Listing Rule 9.8.10R(2). We have nothing to report arising from our review.

BDO Limited  
Certified Public Accountants  
**Tang Tak Wah**  
Practising Certificate Number P06262  
Hong Kong, 25 April 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

		Year ended 31 December	
	Notes	<b>2022</b>	<b>2021</b>
		US\$'000	US\$'000
Revenue	7	193	145
Other income, gains and losses, net	9	(428)	1,075
Staff costs	10	(277)	(298)
Other expenses		(325)	(270)
Finance costs	11	(4)	(8)
Share of losses of a joint venture	17	(2)	(8)
(Loss)/profit before income tax expense	12	(843)	636
Income tax expense	13	-	-
(Loss)/profit for the year		(843)	636
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income of a joint venture	17	(27)	11
Other comprehensive income for the year, net of income tax		(27)	11
Total comprehensive income for the year		(870)	647
(Loss)/profit for the year attributable to:			
Owners of the Company		(843)	636
Total comprehensive income for the year attributable to:			
Owners of the Company		(870)	647
(Loss)/earnings per share – basic and diluted	14	US (0.99) cent	US 0.75 cent

The accompanying notes form an integral part of these consolidated financial statements.

WORLDSEC LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022**

	<u>Notes</u>	<u>2022</u> US\$'000	<u>2021</u> US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	-	-
Interest in a joint venture	17	71	100
Financial assets at fair value through profit or loss	18	4,409	3,849
Right-of-use assets	19	48	111
		<u>4,528</u>	<u>4,060</u>
<b>Current assets</b>			
Other receivables		223	114
Deposits and prepayments		26	26
Financial assets at fair value through profit or loss	18	97	624
Amount due from a joint venture	17	257	257
Cash and cash equivalents	21	526	1,513
		<u>1,129</u>	<u>2,534</u>
<b>Current liabilities</b>			
Other payables and accruals	22	160	163
Lease liabilities	19	55	64
		<u>215</u>	<u>227</u>
<b>Net current assets</b>		<u>914</u>	<u>2,307</u>
<b>Non-current liabilities</b>			
Lease liabilities	19	-	55
<b>Net assets</b>		<u>5,442</u>	<u>6,312</u>



WORLDSEC LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2022**

	<u>Notes</u>	<u>2022</u> US\$'000	<u>2021</u> US\$'000
<b>Capital and reserves</b>			
Share capital	23	85	85
Reserves	24	<u>5,357</u>	<u>6,227</u>
<b>Total equity</b>		<u><u>5,442</u></u>	<u><u>6,312</u></u>

The consolidated financial statements on pages 28 to 68 were approved and authorised for issue by the Board of Directors on 25 April 2023 and signed on its behalf by:

**Alastair Gunn-Forbes**  
 Director

**Henry Ying Chew Cheong**  
 Director

The accompanying notes form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Equity attributable to owners of the Company							<u>Total</u> US\$'000
	<u>Share capital</u> US\$'000 (note 23)	<u>Share premium</u> US\$'000 (note 24)	<u>Contri- buted surplus</u> US\$'000 (note 24)	<u>Share option reserve</u> US\$'000 (note 24)	<u>Foreign currency translation reserve</u> US\$'000 (note 24)	<u>Special reserve</u> US\$'000 (note 24)	<u>Accumulated losses</u> US\$'000 (note 24)	
Balance at 1 January 2021	85	7,524	9,646	249	(17)	625	(12,447)	5,665
Profit for the year	-	-	-	-	-	-	636	636
Other comprehensive income for the year								
Share of other comprehensive income of a joint venture (note 17)	-	-	-	-	11	-	-	11
Total comprehensive income for the year	-	-	-	-	11	-	636	647
Balance as at 31 December 2021 and 1 January 2022	85	7,524	9,646	249	(6)	625	(11,811)	6,312
Loss for the year	-	-	-	-	-	-	(843)	(843)
Other comprehensive income for the year								
Share of other comprehensive income of a joint venture (note 17)	-	-	-	-	(27)	-	-	(27)
Total comprehensive income for the year	-	-	-	-	(27)	-	(843)	(870)
<b>Balance at 31 December 2022</b>	<b>85</b>	<b>7,524</b>	<b>9,646</b>	<b>249</b>	<b>(33)</b>	<b>625</b>	<b>(12,654)</b>	<b>5,442</b>

The accompanying notes form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax expense	(843)	636
Adjustments for:		
Bank interest income	(1)	(1)
Depreciation of right-of-use assets	63	64
Interest on lease liabilities	4	8
Share of losses of a joint venture	2	8
Net realised and unrealised losses/(gains) on financial assets at fair value through profit or loss	444	(1,080)
<b>Operating loss before working capital changes</b>	<b>(331)</b>	<b>(365)</b>
Decrease in deposits and prepayments	-	4
(Increase)/decrease in other receivables	(109)	168
(Decrease)/increase in other payables and accruals	(3)	16
<b>Net cash used in operating activities</b>	<b>(443)</b>	<b>(177)</b>
<b>Cash flows from investing activities</b>		
Investment in financial assets at fair value through profit or loss	(1,188)	(971)
Proceeds from disposal of financial assets at fair value through profit or loss	711	1,535
Bank interest income received	1	1
<b>Net cash (used in)/generated from investing activities</b>	<b>(476)</b>	<b>565</b>
<b>Cash flows from financing activities</b>		
Repayment of principal portion of lease liabilities	(64)	(61)
Repayment of interest portion of lease liabilities	(4)	(8)
<b>Net cash used in financing activities</b>	<b>(68)</b>	<b>(69)</b>
<b>Net(decrease)/increase in cash and cash equivalents</b>	<b>(987)</b>	<b>319</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,513</b>	<b>1,194</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>526</b>	<b>1,513</b>

The accompanying notes form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1. GENERAL INFORMATION**

Worldsec Limited (the “Company”) is a public listed company incorporated in Bermuda and its shares are listed on the Main Market of the London Stock Exchange. The address of the registered office of the Company is Victoria Place, 5<sup>th</sup> Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. Its principal place of business is Unit 607, 6th Floor, FWD Financial Centre, 308 Des Voeux Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 20 to the consolidated financial statements.

The functional currency of the Company is Hong Kong Dollars (“HK\$”). The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in United States Dollars (“US\$” or “USD”).

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”) and Interpretations adopted by the European Union (“EU”) (collectively referred to as “IFRSs”).

**2. APPLICATION OF NEW AND REVISED IFRSs**

**2.1 New and revised IFRSs applied**

The following amendments to IFRSs have been applied by the Group in the current year.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, IFRS 16	Annual Improvements to IFRSs 2018-2020

None of the application of the amendments to IFRSs in the current year had material impact on the Group’s performance and financial positions for the current and prior years and/or on the disclosures in the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)**

**2.2 New and revised IFRSs in issue but not yet effective**

The Group has not applied the following new and revised IFRSs, potentially relevant to the Group's financial statements, that have been issued but are not yet effective. Certain new or revised IFRSs have yet been endorsed by the EU.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their "material" rather than "significant" accounting policies, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

The directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to IAS 8, Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Amongst other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

The directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs.

**Basis of preparation**

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss (“FVTPL”), which are measured at fair value as explained in the accounting policies set out below.

**Basis of consolidation**

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

**Subsidiaries**

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Joint arrangements**

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint venture: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operation: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- the structure of the joint arrangement;
- the legal form of the joint arrangement structured through a separate vehicle;
- the contractual terms of the joint arrangement agreement; and
- any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the relevant joint venture's net assets except that losses in excess of the Group's interest in that joint venture are not recognised unless there is a legal and constructive obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint ventures. The investors' share in a joint venture's profits and losses resulting from such transactions is eliminated against the carrying value of the joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in the joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes their purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	over the lease terms
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An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

**Revenue recognition**

Dividend income is recognised when the right to receive payment is established.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leasing**

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

Right-of-use assets

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leasing (Continued)**

Lease liabilities

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

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

Subsequent to the commencement date, the Group measures lease liabilities by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from a change in an index or a rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currencies**

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. US\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Share-based payments**

The Group operates equity-settled share-based compensation plans and the share options are awarded to employees and directors providing services to the Group.

All services received in exchange for the grant of any share-based compensation are measured at their fair value. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as an asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After the vesting date, when the vested share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

**Taxation**

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

**Current tax**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxation (Continued)**

Deferred tax

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 profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets 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 realised, based on tax rates (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 amounts of its assets and liabilities.

**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 the 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and that the amount of the receivable can be measured reliably.

**Cash and cash equivalents**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents included cash on hand and in banks.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments**

**(i) Financial assets**

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are two measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**FVTPL:** Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("FVOCI"), as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (Continued)**

**(i) Financial assets (Continued)**

**Equity instruments**

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

**(ii) Impairment loss on financial assets**

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to the credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (Continued)**

**(ii) Impairment loss on financial assets (Continued)**

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (1) it has a low risk of default; (2) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) 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 financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

- 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 difficulty of the issuer or the borrower.

Interest income on a credit-impaired financial asset is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (Continued)**

**(iii) Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expenses are recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**(iv) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

**(v) Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(vi) Derecognition**

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligations specified in the relevant contract are discharged, cancelled or expire.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of other assets**

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- interest in a joint venture

If the recoverable amount (i.e. the greater of fair value less costs to disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to its 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 the cash generating unit.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (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;
  - (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 the employees of 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 key management personnel of the entity (or of a parent of the entity); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company'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 his dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

**Key sources of estimation uncertainty**

The key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

- (i) Impairment of financial assets (including amount due from a joint venture)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses its judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

- (ii) Impairment of non-financial assets (including interest in a joint venture)

The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indications that the carrying amount may not be recoverable.

- (iii) Fair value measurement of investments classified as FVTPL categorised within level 3 of the Fair Value Hierarchy (as defined in note 5(c))

The fair value of investments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in note 5(c) to the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**5. FINANCIAL INSTRUMENTS**

**(a) Categories of financial instruments**

	<u>2022</u> US\$'000	<u>2021</u> US\$'000
<u>Financial assets</u>		
Financial assets at FVTPL	4,506	4,473
Financial assets at amortised cost	1,031	1,909
	<u>5,537</u>	<u>6,382</u>
 <u>Financial liabilities</u>		
Financial liabilities at amortised cost	<u>215</u>	<u>282</u>

**(b) Financial risk management objectives**

Management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risks (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how the Group mitigates these risks are set out below. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 5. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management objectives (Continued)

##### Market risks (Continued)

##### (i) *Foreign currency risk*

Certain financial assets and financial liabilities of the Group are denominated in foreign currencies other than the functional currency of the relevant group entities, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Under the Linked Exchange Rate System in Hong Kong, HK\$ is currently pegged to the USD within a narrow range, the directors therefore consider that there is no significant foreign exchange risk with respect to the USD.

Foreign currency risk arises primarily from volatility in the British Pound Sterling ("GBP"). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of reporting period were as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000	US\$'000	US\$'000
GBP	<u>72</u>	<u>91</u>	<u>1</u>	<u>1</u>

The following table details the Group's sensitivity to a 10% (2021: 10%) increase and decrease in USD against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the relevant foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts its translation as at year end for a 10% (2021: 10%) change in the relevant foreign currency rate. A positive number below indicates an increase in profit or a decrease in loss for the year and a decrease in accumulated losses had USD strengthened 10% (2021: 10%) against the relevant foreign currency. For a 10% (2021: 10%) weakening of USD against the relevant foreign currency, there would have been an equal and opposite impact on profit or loss for the year and on accumulated losses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 5. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management objectives (Continued)

##### Market risks (Continued)

##### (i) Foreign currency risk (Continued)

	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
<b>Change in post-tax profit or loss for the year</b>		
GBP/USD appreciated by 10% (USD depreciated)	(7)	(9)
GBP/USD depreciated by 10% (USD appreciated)	<u>7</u>	<u>9</u>

##### (ii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits at variable interest rates. Bank deposits at variable rates expose the Group to cash flow interest rate risk.

The directors consider that the exposure to cash flow interest rate risk was insignificant. Hence, no sensitivity analysis on the exposure to the Group's cash flow interest rate risk is presented.

##### (iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments.

All of the Group's unlisted investments are held for long term strategic purposes. Their performance is assessed at least annually against performance of any similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

##### Sensitivity analysis

The sensitivity analysis on price risk includes the Group's financial instruments, the fair value or future cash flows of which will fluctuate because of changes in their corresponding equity prices. If the prices of the Group's equity instruments had been 5% (2021: 5%) higher/lower, loss for the year would have decreased/increased by approximately US\$23,000 (2021: profit for the year would have increased/decreased by approximately US\$52,000).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**5. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management objectives (Continued)**

Credit risk

The Group's maximum exposure to credit risk which could cause a financial loss to the Group due to the failures to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the major counterparties are banks with high credit ratings assigned by international credit-rating agencies. As at 31 December 2022, approximately 100% (2021: 99%) of the bank balances were deposited with a bank with a high credit rating. Other than concentration of credit risk on liquid funds deposited with that bank, the Group did not have any other significant concentration of credit risk.

For other receivables, deposits and amount due from a joint venture, management makes periodic individual assessment on the recoverability based on historical settlement records, past experience and also available reasonable and supportive forward-looking information. Management believes that there was no material credit risk inherent in the Group's outstanding balances of other receivables, deposits and amount due from a joint venture. None of these receivables have been subject to a significant increase in credit risk since initial recognition and the expected credit loss was insignificant based on the risk of default of those counterparties under 12-month ECLs approach as at 31 December 2022 and 31 December 2021. Thus, no loss allowance was recognised as at 31 December 2022 and 31 December 2021.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by regularly monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives (Continued)

#### *Liquidity risk (Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. 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.

	Within 1 year or on demand US\$'000	More than 1 year but less than 5 years US\$'000	Total contractual undiscounted cash flows US\$'000	Carrying amount US\$'000
As at 31 December 2022				
Other payables and accruals	160	-	160	160
Lease liabilities	56	-	56	55
	<u>216</u>	<u>-</u>	<u>216</u>	<u>215</u>

	Within 1 year or on demand US\$'000	More than 1 year but less than 5 years US\$'000	Total contractual undiscounted cash flows US\$'000	Carrying amount US\$'000
As at 31 December 2021				
Other payables and accruals	163	-	163	163
Lease liabilities	69	56	125	119
	<u>232</u>	<u>56</u>	<u>288</u>	<u>282</u>

### (c) Fair value of financial instruments

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**5. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Fair value of financial instruments (Continued)**

**(i) Financial instruments not measured at fair value**

Financial instruments not measured at fair value include cash and cash equivalents, other receivables, deposits, amount due from a joint venture, other payables and accruals and lease liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, other receivables, deposits, amount due from a joint venture, other payables and accruals and lease liabilities approximated fair value.

**(ii) Financial instruments measured at fair value**

Financial assets at FVTPL included in the consolidated financial statements require measurement at, and disclosure of, fair value.

The fair value of financial instruments with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments as well as the relationship between key observable inputs and fair value are set out in note (iii) below.

**(iii) Information about level 3 fair value measurement**

The fair value of the Group's level 3 equity investments in Velocity Mobile Limited ("Velocity") was estimated using market approach with the significant inputs being the enterprise value to sales ratio ("EV/Sales") and the recent market transaction prices of comparable instruments at a discount due to the lack of marketability. A 5% increase/decrease in EV/Sales with all other variables held constant would have increased/decreased the carrying amount of the Group's level 3 equity investment in Velocity by approximately US\$16,000/US\$16,000 respectively.

The fair value of the Group's level 3 investments in the ICBC Specialised Ship Leasing Investment Fund was estimated using income approach with reference to their net asset value which was a significant unobservable input.

The fair value of the Group's level 3 investments in the Homaer Asset Management Master Fund SPC, the Hermitage Galaxy Fund SPC and VS SPC Limited were estimated using market approach with the significant inputs being the recent market transaction prices of the underlying investment of the respective funds.

There were no changes in these valuation techniques during the year ended 31 December 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**
**5. FINANCIAL INSTRUMENTS (CONTINUED)**
**(c) Fair value of financial instruments (Continued)**

The following table provides an analysis of the Group's financial instruments carried at fair value by level of Fair Value Hierarchy:

	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Listed investments	134	-	-	134
Unlisted investments	-	-	4,372	4,372
	<u>134</u>	<u>-</u>	<u>4,372</u>	<u>4,506</u>

Reconciliation for level 3 financial assets at FVTPL carried at fair value based on significant unobservable inputs are as follows:

	<b><u>2022</u></b>	<b><u>2021</u></b>
	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January	<b>3,709</b>	3,854
Purchases	<b>750</b>	200
Disposal	-	(796)
Transfer to level 1	-	(331)
Transfer to level 3	-	-
Fair value adjustment	<b>(87)</b>	782
At 31 December	<b><u>4,372</u></b>	<u>3,709</u>

The Group transferred its investment in Cambium Grove Growth Opps IV Limited of approximately US\$331,000 during the year ended 31 December 2021 from level 3 to level 1 as the quoted market prices of the underlying investment became available upon the listing of the American depositary shares of Dingdong (Cayman) Limited on the New York Stock Exchange.

Fair value adjustment of financial assets at FVTPL was recognised in the line item 'other income, gains and losses, net' on the face of the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 6. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists only of equity attributable to owners of the Company, comprising share capital and reserves.

The gearing ratio at the end of the reporting period was as follows:

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Debt	215	282
Cash and cash equivalents	(526)	(1,513)
	<u>(311)</u>	<u>(1,231)</u>
Equity attributable to owners of the Company	<u>5,442</u>	<u>6,312</u>
Net debt to equity	0%	0%

### 7. REVENUE

The Group had no revenue from contracts with customers as defined under IFRS 15. An analysis of the Group's revenue from other sources is as follows:

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Dividend income from financial assets at FVTPL	<u>193</u>	<u>145</u>

### 8. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision makers in order to allocate resources and assess performance of the segment. For the years ended 31 December 2022 and 2021, the executive directors, who were the chief operating decision makers for the purpose of resource allocation and assessment of performance, have determined that the Group had only one single business component/reportable segment as the Group was only engaged in investment holding. The executive directors allocated resources and assessed performance on an aggregated basis. Accordingly, no segment information is presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 8. SEGMENT INFORMATION (CONTINUED)

The major operations and the revenue of the Group arise from Hong Kong. The Board of Directors considers that most of the non-current assets (other than the financial instruments) of the Group are located in Hong Kong.

### 9. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Bank interest income	1	1
Net realised and unrealised (losses)/gains on financial assets at FVTPL	(444)	1,080
Foreign exchange gain/(loss), net	6	(6)
Others	9	-
	<u>(428)</u>	<u>1,075</u>

### 10. STAFF COSTS

The aggregate staff costs (including directors' remuneration) of the Group were as follows:

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Wages and salaries	270	291
Contributions to pension and provident fund	7	7
	<u>277</u>	<u>298</u>

Compensation of key management personnel was as follows:

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Directors' fees	72	81
Other remuneration including contributions to pension and provident fund	-	-
	<u>72</u>	<u>81</u>

### 11. FINANCE COSTS

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Interest on lease liabilities	4	8

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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**12. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE**

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

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Auditor's remuneration	53	50
Depreciation of right-of-use assets	<u>63</u>	<u>64</u>

**13. INCOME TAX EXPENSE**

No provision for taxation has been made as the Group did not generate any assessable profits that were subject to United Kingdom Corporation Tax, Hong Kong Profits Tax or tax in other jurisdictions.

The tax charge for 2022 and 2021 can be reconciled to the (loss)/profit before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
(Loss)/profit before income tax expense	<u>(843)</u>	<u>636</u>
(Loss)/profit before tax calculated at Hong Kong		
Profits Tax rate of 16.5% (2021: 16.5%)	(139)	105
Tax effect of non-deductible expenses	110	41
Tax effect of non-taxable income	(34)	(196)
Tax effect of share of losses of a joint venture	-	1
Tax effect of estimated tax losses not recognised	<u>(63)</u>	<u>49</u>
Tax charge for the year	<u>-</u>	<u>-</u>

As at 31 December 2022, the Group had estimated tax losses arising in Hong Kong of approximately US\$1,562,000 (2021: US\$1,179,000) that can be carried forward indefinitely under Hong Kong tax law. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. No deferred tax asset has been recognised in relation to the deductible temporary differences of approximately US\$44,000 (2021: US\$47,000) as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. The deductible temporary differences can be carried forward indefinitely.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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**14. (LOSS)/EARNINGS PER SHARE**

The (loss)/earnings and weighted average number of ordinary shares used in the calculation of basic and diluted (loss)/earnings per share were as follows.

	Year ended 31 December	
	<u>2022</u>	<u>2021</u>
(Loss)/earnings for the year attributable to owners of the Company (US\$'000)	<u>(843)</u>	<u>636</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u>85,101,870</u>	<u>85,101,870</u>
(Loss)/earnings per share – basic and diluted	<u><b>US(0.99) cent</b></u>	<u>US0.75 cent</u>

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2022 and 2021 as there were no potential dilutive ordinary shares outstanding at the end of both years.

**15. DIVIDENDS**

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

**16. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold improvements US\$'000</b>
<b>Cost</b>	
At 1 January 2021, 1 January 2022 and 31 December 2022	<u>69</u>
<b>Accumulated depreciation</b>	
At 1 January 2021, 1 January 2022 and 31 December 2022	<u>69</u>
<b>Carrying amount</b>	
At 31 December 2021	<u>-</u>
At 31 December 2022	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**
**17. INTEREST IN A JOINT VENTURE**

	<u>2022</u>	<u>2021</u>
	US\$'000	US\$'000
Unlisted investment, at cost	257	257
Accumulated share of post-acquisition losses of the joint venture	(153)	(151)
Accumulated share of post-acquisition other comprehensive income of the joint venture	(33)	(6)
Share of net assets of the joint venture	71	100
Amount due from the joint venture	257	257

The amount due from the joint venture was unsecured, interest-free and repayable on demand.

On 12 December 2014, the Group entered into a subscription agreement with an independent third party and Oasis Education Group Limited (“Oasis Education”) pursuant to which the Group made an investment by way of capital contribution and shareholder’s loan, for a 50% interest in Oasis Education.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligations for the liabilities of the joint arrangement resting primarily with Oasis Education. Under IFRS 11, this joint arrangement was classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Details of the joint venture were as follows:

Name	Country of incorporation and operation	Proportion of ownership interest		Paid-up registered Capital	Principal activities
		Direct	Indirect		
Oasis Education Group Limited 奧偉詩教育集團有限公司	Hong Kong	50%	-	HK\$4,000,000	Investment holding
奧偉詩教育諮詢(深圳)有限公司	The People’s Republic of China (the “PRC”)	-	50%	HK\$5,000,000	Provision of education consulting and support services to kindergartens in the PRC



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**
**17. INTEREST IN A JOINT VENTURE (CONTINUED)**

The aggregate amounts related to the joint venture that have been included in the consolidated financial statements of the Group as extracted from the financial statements of the joint venture, adjusted to reflect adjustments made by the Group when applying the equity method of accounting, are set out below:

	<u>2022</u> US\$'000	<u>2021</u> US\$'000
<b>Results of the joint venture for the year</b>		
Revenue	-	-
Other income	-	-
Expenses	<u>(3)</u>	<u>(16)</u>
<b>Loss for the year</b>	<u>(3)</u>	<u>(16)</u>
<b>Other comprehensive income for the year</b>	<u>(55)</u>	<u>22</u>
<b>Total comprehensive income for the year</b>	<u>(58)</u>	<u>6</u>
 <b>Share of losses of the joint venture for the year</b>	 <u>(2)</u>	 <u>(8)</u>
 <b>Share of other comprehensive income of the joint venture for the year</b>	 <u>(27)</u>	 <u>11</u>
 <b>Accumulated share of results of the joint venture</b>	 <u>(153)</u>	 <u>(151)</u>
 <b>Assets and liabilities of the joint venture at 31 December</b>		
	<u>2022</u> US\$'000	<u>2021</u> US\$'000
Non-current assets	-	-
Current assets	738	806
Non-current liabilities	-	-
Current liabilities	<u>(596)</u>	<u>(606)</u>
<b>Net assets</b>	<u>142</u>	<u>200</u>
 <b>Included in the above amounts were:</b>		
Cash and cash equivalents	90	102
Depreciation and amortisation	-	-
Interest income	-	-
Interest expenses	-	-
Current financial liabilities (excluding trade and other payables)	<u>596</u>	<u>606</u>
Percentage of equity interest attributable to the Group	<u>50%</u>	<u>50%</u>
<b>Share of net assets of the joint venture</b>	<u>71</u>	<u>100</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2022</u> US\$'000	<u>2021</u> US\$'000
<b>Financial assets at FVTPL</b>		
Listed investments, at fair value	134	764
Unlisted investments, at fair value	4,372	3,709
	<u>4,506</u>	<u>4,473</u>
Less: Current portion	(97)	(624)
Non-current portion (Note)	<u>4,409</u>	<u>3,849</u>

**19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Group leased an office premise with a lease term of 3 years at a fixed rate. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position was 5%. The carrying amounts of the Group's right-of-use assets and lease liabilities were as follows:

	<b>Office premises</b> <b>Right-of-use</b> <b>assets</b> <b>US\$'000</b>	<b>Lease</b> <b>liabilities</b> <b>US\$'000</b>
<b>As at 1 January 2021</b>	175	180
Lease payments	-	(69)
Depreciation charge	(64)	-
Interest expenses	-	8
<b>As at 31 December 2021</b>	<u>111</u>	<u>119</u>
Lease payments	-	(68)
Depreciation charge	(63)	-
Interest expenses	-	4
<b>As at 31 December 2022</b>	<u>48</u>	<u>55</u>

Future lease payments are due as follows:

	<b>Minimum lease</b> <b>payments</b> <b>US\$'000</b>	<b>Interest</b> <b>US\$'000</b>	<b>Present</b> <b>value</b> <b>US\$'000</b>
<b>As at 31 December 2022</b>			
Not later than one year	<u>56</u>	<u>(1)</u>	<u>55</u>
<b>As at 31 December 2021</b>			
Not later than one year	69	(5)	64
Later than one year and not later than five years	<u>56</u>	<u>(1)</u>	<u>55</u>
	<u>125</u>	<u>(6)</u>	<u>119</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**
**20. SUBSIDIARIES**

Details of the subsidiaries of the Company were as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest</u>		<u>Proportion of voting power held</u>		<u>Principal activities</u>
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
Worldsec Financial Services Limited	The British Virgin Islands	100%	100%	100%	100%	Investment holding
Worldsec Corporate Finance Limited	The British Virgin Islands	100%*	100%*	100%*	100%*	Inactive
Worldsec Investment (Hong Kong) Limited	Hong Kong	100%*	100%*	100%*	100%*	Investment holding
Worldsec Investment (China) Limited	The British Virgin Islands	100%*	100%*	100%*	100%*	Investment holding

\* Indirectly held subsidiaries

**21. CASH AND CASH EQUIVALENTS**

	<u>2022</u>	<u>2021</u>
	<u>US\$'000</u>	<u>US\$'000</u>
Bank balances	525	1,512
Cash balances	1	1
	<u>526</u>	<u>1,513</u>

Bank balances bore interest at the then prevailing market rates ranging from 0.001% to 0.01% (2021: 0.001% to 0.01%) per annum and had original maturities of three months or less.

**22. OTHER PAYABLES AND ACCRUALS**

	<u>2022</u>	<u>2021</u>
	<u>US\$'000</u>	<u>US\$'000</u>
Other payables and accruals	160	163

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**23. SHARE CAPITAL**

	Number of shares	Total US\$'000
<b>Authorised:</b>		
Ordinary shares of US\$0.001 each		
At 1 January 2021, 1 January 2022 and 31 December 2022	<u>60,000,000,000</u>	<u>60,000</u>
<b>Called up, issued and fully paid:</b>		
Ordinary shares of US\$0.001 each		
At 1 January 2021, 1 January 2022 and 31 December 2022	<u>85,101,870</u>	<u>85</u>

**24. RESERVES**

- (a) The share premium account represents the premium arising from the issue of shares of the Company at a premium.
- (b) The contributed surplus represents the amount arising from the reduction in the nominal value of the authorised and issued shares of the Company and the reduction in the share premium account pursuant to an ordinary resolution passed on 23 July 2003.
- (c) Share option reserve comprises the fair value of the Company's share options which have been granted but which have yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements. The amount will either be transferred to the issued capital account and the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.
- (d) Exchange differences relating to the translation of the net assets of the Group's foreign operations (including a joint venture) from their functional currencies to the Group's presentation currency were recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve will be reclassified to profit or loss on the disposal of the foreign operations.
- (e) The special reserve represents the amount arising from the difference between the nominal value of the issued share capital of each subsidiary and the nominal value of the issued share capital of the Company along with the surplus arising in a subsidiary on group reorganisation completed on 26 February 2007.
- (f) Accumulated losses represent accumulated net gains and losses recognised in the profit or loss of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 25. SHARE-BASED PAYMENTS

The Company operates an equity-settled share-based remuneration scheme for the employees and directors.

On 1 December 2015, the Company granted to certain eligible persons a total of 2,950,000 share options to subscribe on a one for one basis new ordinary shares of US\$0.001 each in the share capital of the Company under the Worldsec Employee Share Option Scheme 1997 (the “Scheme”) which was revised on 24 September 2014. The share options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

On 29 May 2019, the Company granted to certain eligible persons a total of 2,050,000 share options to subscribe on a one for one basis new ordinary shares of US\$0.001 each in the share capital of the Company under the Scheme. The share options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

The following table discloses the movements of the outstanding share options under the Scheme during the years ended 31 December 2022 and 2021.

Grantee	Exercisable period	Number of options					Balance at 31 December 2022	Exercise price per share (US\$)
		Balance at 1 January 2022	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Directors	29 November 2019 to 28 May 2029	1,750,000	-	-	-	-	1,750,000	0.034
	1 June 2016 to 30 November 2025	2,500,000	-	-	-	-	2,500,000	0.122
Employees	29 November 2019 to 28 May 2029	300,000	-	-	-	-	300,000	0.034
	1 June 2016 to 30 November 2025	450,000	-	-	-	-	450,000	0.122
		<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	

Grantee	Exercisable period	Number of options					Balance at 31 December 2021	Exercise price per share (US\$)
		Balance at 1 January 2021	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Directors	29 November 2019 to 28 May 2029	1,750,000	-	-	-	-	1,750,000	0.034
	1 June 2016 to 30 November 2025	2,500,000	-	-	-	-	2,500,000	0.122
Employees	29 November 2019 to 28 May 2029	300,000	-	-	-	-	300,000	0.034
	1 June 2016 to 30 November 2025	450,000	-	-	-	-	450,000	0.122
		<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**25. SHARE-BASED PAYMENTS (CONTINUED)**

Of the total number of share options outstanding at the end of the year, all (2021: all) had vested and were exercisable at the end of the year.

No share option was exercised during the years ended 31 December 2022 and 2021.

The weighted average remaining contractual life for the share options outstanding at the end of the reporting period was 4.4 years (2021: 5.4 years)

Subsequent to the year end on 20 February 2023, the Company granted 350,000 share options to a director to subscribe on a one for one basis new ordinary shares of US\$0.001 each in the Company at an exercise price of US\$0.034 per share under the Scheme. The share options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

**26. RELATED PARTY TRANSACTIONS**

Other than the compensation of key management personnel as disclosed below, the Group did not have any related party transactions during the years ended 31 December 2022 and 2021.

**Compensation of key management personnel**

Key management personnel are the directors only. The remuneration of directors is set out in note 10 to the consolidated financial statements.

**27. CONTINGENT LIABILITIES**

The Group had no material contingent liabilities at 31 December 2022 (2021: nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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**28. NOTES SUPPORTING STATEMENT OF CASH FLOWS****(a) Cash and cash equivalents comprise:**

	<u>2022</u> US\$'000	<u>2021</u> US\$'000
Cash available on demand	<u>526</u>	<u>1,513</u>

**(b) Reconciliation of liabilities arising from financing activities:**

	<b>Lease liabilities (note 19) US\$'000</b>
At 1 January 2021	180
Changes from cash flows:	
Repayment of principal portion of lease liabilities	(61)
Repayment of interest portion of lease liabilities	<u>(8)</u>
Total changes from financing cash flows	(69)
Other changes:	
Interest on lease liabilities	8
Addition on lease liabilities	<u>-</u>
	8
At 1 January 2022	<u>119</u>
Changes from cash flows:	
Repayment of principal portion of lease liabilities	(64)
Repayment of interest portion of lease liabilities	<u>(4)</u>
Total changes from financing cash flows	(68)
Other changes:	
Interest on lease liabilities	<u>4</u>
	4
At 31 December 2022	<u><u>55</u></u>

## INVESTMENT POLICY

The Company will invest in small to medium sized trading companies, being companies, both start-up/early stage growth and established, with a turnover typically up to US\$20 million, based mainly in the Greater China and South East Asian region, and thereby create a portfolio of minority investments in such companies.

The Company's investment objective is to achieve attractive investment returns through capital appreciation on a medium to long term horizon. The Directors consider between 2 to 4 years to be medium term and long term to be over 4 years. The Directors intend to build an investment portfolio of small to medium sized companies based mainly in the Greater China and South East Asian regions. The Company may also take advantage of opportunities to invest in companies in other jurisdictions, such as the United Kingdom, which have close trading links with Greater China and South East Asia. Investments will normally be in equity or preferred equity but if appropriate convertible loans or preference shares may be utilised.

The Company has no intention to employ gearing, but reserves the right to gear the Company to a maximum level of 25 per cent. of the last published net asset value of the Group should circumstances arise where, in the opinion of the Directors, the use of debt would be to the advantage of the Company and the Shareholders as a whole.

The investment portfolio will consist primarily of unlisted companies but the Directors will also consider investing in undervalued listed companies, if and when such an opportunity arises. Where suitable opportunities are identified, investment in companies considering a stock market listing at the pre-initial public offering stage will be considered.

No more than 20 per cent. of the gross assets of the Group will be invested in any single investment. The Directors consider that opportunities will arise to invest in investee companies by the issue of new ordinary shares of the Company at a discount of no more than 10 per cent. of the mid market price at the time of agreement of their issue in exchange for new equity, preferred equity or convertible instrument in the investee company. Target sectors are financial services, consumer retail distribution, natural resources and infrastructure but the Company will seek to take advantage of opportunities in other sectors if these arise.

The Company's portfolio in due course will comprise at least five different investee companies, thereby reducing the potential impact of poor performance by any individual investment.

The Company does not intend to take majority interests in any investee company, save in circumstances where the Company exercises any rights granted under legal agreements governing its investment. Each investment by the Company will be made on terms individually negotiated with each investee company, and the Company will seek to be able to exercise control over the affairs of any investee company in the event of a default by the investee company or its management of their respective obligations under the legal agreements governing each investment. Where appropriate, the Company will seek representation on the board of companies in which it invests. Where board representation is secured in an investee company, remuneration for such appointment will be paid to the benefit of the Company thereby enhancing returns on the investment. There will be no intention to be involved in the day to day management of the investee company but the skills and connections of the board representative will be applied in assisting the development of the investee company, with the intention of enhancing shareholder value. The Company will arrange no cross funding between investee companies and neither will any common treasury function operate for any investee company; each investee company will operate independently of each other investee company.

Where the Company has cash awaiting investment, it will seek to maximise the return on such sums through investment in floating rate notes or similar instruments with banks or other financial institutions with an investment grade rating or investment in equity securities issued by companies which have paid dividends for each of the previous three years.

Any material change to the Investment Policy may only be made with the prior approval of the Shareholders.



## **BIOGRAPHICAL NOTES OF THE DIRECTORS**

The Board of Directors has ultimate responsibility for the Group's affairs.

Brief biographical notes of the directors are set out below:

### ***Alastair Gunn-Forbes - Non-Executive Chairman - aged 78***

Mr Gunn-Forbes has been associated with Asian regional stock markets since 1973 when he was a fund manager at Brown Shipley Ltd. Subsequently, he was a director of W I Carr, Sons & Co. (Overseas) Ltd until 1985, since when he held directorships with other Asian securities firms in the United Kingdom prior to joining the Group in 1993. Mr Gunn-Forbes is the Chairman of Opera Holdings Limited, a recruitment company.

### ***Henry Ying Chew Cheong - Executive Director and Deputy Chairman - aged 75***

Mr Cheong holds a Bachelor of Science (Mathematics) degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) degree from Imperial College, University of London.

Mr Cheong has over 40 years of experience in the securities industry. Mr Cheong and The Mitsubishi Bank in Japan (now known as The Bank of Tokyo-Mitsubishi UFJ Ltd) founded the Worldsec Group in 1991. In late 2002, Worldsec Group sold certain securities businesses to UOB Kay Hian Holdings Limited and following that Mr Cheong became the Chief Executive Officer of UOB Asia (Hong Kong) Ltd until early 2005. Prior to the formation of the Worldsec Group, Mr Cheong was a director of James Capel (Far East) Ltd for five years with overall responsibility for Far East Sales. His earlier professional experience includes 11 years with Vickers da Costa Limited in Hong Kong, latterly as Managing Director.

Mr Cheong was a member of the Securities and Futures Appeals Tribunal and a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong ("SFC") (from 2009-2015). Mr Cheong was previously a member of Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants (from 2005-2011). He was a member of the Corporate Advisory Council of the Hong Kong Securities Institute (from 2002-2009), a member of the Advisory Committee to the SFC (from 1993-1999), a member of the board of directors of the Hong Kong Future Exchange Limited (from 1994-2000), a member of GEM Listing Committee and Main Board Listing Committee of Hong Kong Exchange and Clearing Limited ("HKEX") (from May 2002-May 2006), a member of Derivatives Market Consultative Panel of HKEX (from April 2000-May 2006), a member of the Process Review Panel for the SFC (from November 2000-October 2006) and a member of the Committee on Real Estate Investment Trust of the SFC (from September 2003-August 2006).

Mr Cheong is an Independent Non-Executive Director of CK Asset Holdings Limited, CK Infrastructure Holdings Limited, New World Department Store China Limited, and Skyworth Digital Holdings Limited, all being listed companies in Hong Kong. Mr Cheong is also an Independent Director of BTS Group Holdings Public Company Limited, being listed in Thailand. He was previously an Independent Non-Executive Director of CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited and TOM Group Limited, all being listed companies in Hong Kong.

**BIOGRAPHICAL NOTES OF THE DIRECTORS (CONTINUED)**

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**Ernest Chiu Shun She - *Executive Director – aged 62***

Mr She is an investment banker with extensive experience in the field of corporate finance. In his executive management roles at various investment banks and financial institutions, including notably Worldsec Corporate Finance Limited where he had a long and committed stint, Mr She has covered a broad and diverse range of financial advisory and fundraising activities in the Asian regional equity markets.

Since rejoining the Group to assist in the reactivation of its business operations in 2013, Mr She has been an Executive Director of the Company working on private equity investments.

Mr She has a deep-rooted and long-standing connection with the Worldsec group of companies being one of the co-founding team members at the time when the entities were established in the early 1990s. For more than a decade that followed and until the disposal by the Group of certain securities businesses to UOB Kay Hian Holdings Limited in 2002, Mr She held senior management positions at Worldsec Corporate Finance Limited and Worldsec International Limited with the main responsibility of developing and overseeing the Group's corporate finance activities.

Prior to his tenure at the Worldsec group of companies, Mr She was an Investment Analyst and an Associate Director at James Capel (Far East) Limited where he was primarily responsible for equity research in the real estate sector.

Mr She graduated from the University of Toronto with a Bachelor of Applied Science degree in Industrial Engineering and obtained from the Imperial College of Science and Technology a Master of Science degree in Management Science specialising in Operational Research. Mr She is a Chartered Financial Analyst and a fellow of the Hong Kong Securities and Investment Institute.

From 2004 to 2010, Mr She served as an Independent Non-Executive Director and the Chairman of the Audit Committee of New Island Printing Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

**Mark Chung Fong - *Non-Executive Director - aged 71***

Mr Fong was an Executive Director for China development of Grant Thornton International Ltd, a corporation incorporated in England and had retired from Grant Thornton effective from 1 January 2014. He has more than 40 years' experience in the accounting profession. Mr Fong obtained a bachelor's degree in science from the University College, London in August 1972 and a Master's degree in science from the University of Surrey in December 1973. He has been a Fellow of the Institute of Chartered Accountants in England and Wales since January 1983 and a Fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA") since March 1986. He was the President of the HKICPA in 2007. He has been appointed as the Chairman of the Audit Committee of HKICPA from 2016 to January 2019 and has also served on the Council of the Institute of Chartered Accountants in England and Wales from 2016 to 2018.

**BIOGRAPHICAL NOTES OF THE DIRECTORS (CONTINUED)**

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**Martyn Stuart Wells - *Non-Executive Director – aged 78***

Mr Wells was formerly an Executive Director of Citicorp International Limited and has over 30 years' experience in the securities industry. In 1969 he joined Vickers da Costa, international stockbrokers. He was involved in the fund management industry for 20 years and participated in the launch of several country funds investing in the Asian region, serving as a director or as a member of the investment advisory councils of several of those funds. He lived in Hong Kong for almost 28 years and since 2000 has resided in England.

**Stephen Lister d'Anyers Willis - *Non-Executive Director – aged 68***

Mr Willis is a financial services professional specialising in Asia and global investing. He has been involved with Asia for over 35 years firstly with Standard Chartered Bank and subsequently with the Asian specialist stockbroker, Vickers da Costa and a number of other investment banking firms. In 2011, Mr Willis founded Stelisdan Research Services to provide equity research to high net worth investors whose assets are managed by Private Wealth Managers. This covers all aspects of investment strategy, economics and individual company research.