兴证国际
INDUSTRIAL SECURITIES INTERNATIONAL

興證國際金融集團有限公司
China Industrial Securities International Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code : 6058

FOCUS ON VALUE
CREATE THE FUTURE WITH WISDOM

2023
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Mr. Xiong Bo *(Chairman)* (Appointed on 4 March 2024)
Mr. Hu Pingsheng *(Chairman)* (Resigned on 4 March 2024)

Executive Directors

Ms. Zhang Chunjuan *(Chief Executive Officer* (Appointed on 18 January 2024)*)*
Mr. Cai Junzheng *(Chief Executive Officer)* (Resigned on 18 January 2024)
Ms. Zeng Yanxia (Retired on 10 May 2023)

Independent Non-executive Directors

Ms. Hong Ying
Mr. Tian Li
Mr. Qin Shuo

BOARD COMMITTEES

Audit Committee

Ms. Hong Ying *(Chairlady)*
Mr. Xiong Bo (Appointed on 4 March 2024)
Mr. Hu Pingsheng (Resigned on 4 March 2024)
Mr. Tian Li

Remuneration Committee

Mr. Tian Li *(Chairman)*
Mr. Xiong Bo (Appointed on 4 March 2024)
Mr. Hu Pingsheng (Resigned on 4 March 2024)
Mr. Qin Shuo

Nomination Committee

Mr. Xiong Bo *(Chairman)* (Appointed on 4 March 2024)
Mr. Hu Pingsheng *(Chairman)* (Resigned on 4 March 2024)
Mr. Tian Li
Mr. Qin Shuo

COMPANY SECRETARY

Ms. Tsang Wing Man

AUTHORISED REPRESENTATIVES

Ms. Zhang Chunjuan
Ms. Tsang Wing Man

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

REGISTERED OFFICE

PO Box 1350
Windward 3, Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited
Third Floor Century Yard
Cricket Square, P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial Bank Co., Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
CMB Wing Lung Bank Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
China Everbright Bank Co., Ltd., Hong Kong Branch
Chiyu Banking Corporation Limited
China Minsheng Bank Corp., Ltd., Hong Kong Branch
Nanyang Commercial Bank, Limited
China Zheshang Bank Co., Ltd, Hong Kong Branch

WEBSITE

www.xyzq.com.hk

STOCK CODE

6058

FINANCIAL HIGHLIGHTS

RESULTS

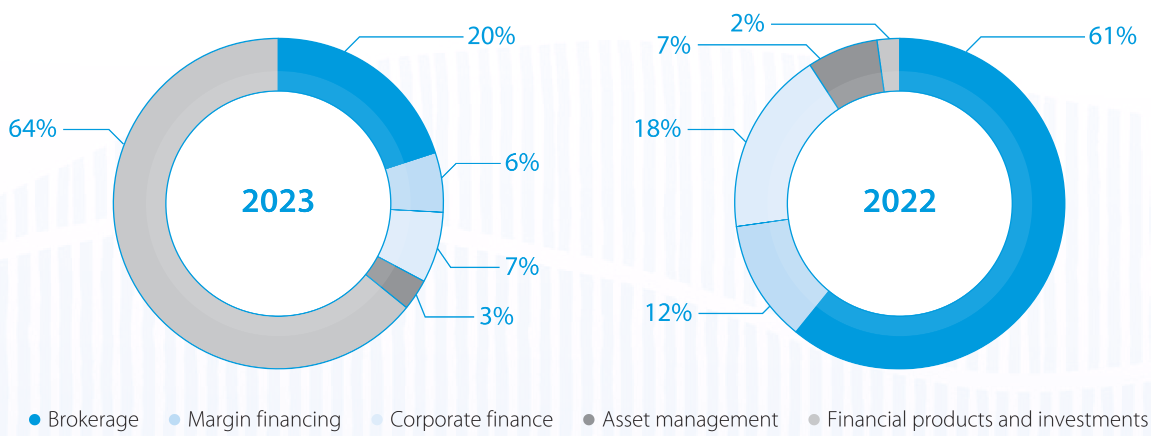
	For the year ended 31 December		
	2023	2022	Change
	HK$	HK$	%
Commission and fee income from brokerage services *(note a)*	**111,040,955**	157,800,167	-29.6%
Commission and advisory fee income from corporate finance services	**40,833,714**	45,709,535	-10.7%
Management fee and advisory fee income from asset management services	**15,023,082**	19,700,817	-23.7%
Interest income from margin financing services	**30,274,458**	30,097,837	0.6%
Income from financial products and investments	**346,182,408**	4,695,832	7,272.1%
Revenue	**543,354,617**	258,004,188	110.6%
Profit/(loss) for the year	**54,564,283**	(297,402,416)	118.3%
Basic earnings/(loss) per share *(note b)*	**0.0136**	(0.0744)	118.3%
Dividend per share	**–**	–	N/A
Net assets per share *(note c)*	**1.03**	1.00	3.2%

Notes:

a. Such services include securities, futures and options and insurance brokerage services.

b. Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares.

c. Net assets per share is calculated by dividing the net assets at the end of the year by the number of shares in issue as at the end of the year.



FINANCIAL HIGHLIGHTS

FINANCIAL CONDITIONS

	As at 31 December 2023 HK$	As at 31 December 2022 HK$	Change %
Total assets	**16,552,022,975**	12,472,181,491	32.7%
Equity attributable to holders of the ordinary shares	**3,123,942,198**	2,994,877,702	4.3%
Equity attributable to holders of other equity instrument	**1,000,000,000**	1,000,000,000	0.0%
Number of issued shares	**4,000,000,000**	4,000,000,000	0.0%
Net profit margin	**10.0%**	-115.3%	125.3%
Return on equity *(note a)*	**1.8%**	-9.4%	11.2%
Return on total assets	**0.3%**	-2.4%	2.7%
Gearing ratio *(note b)*	**210.0%**	126.1%	83.9%
Net debt to equity ratio *(note c)*	**164.1%**	58.5%	105.6%

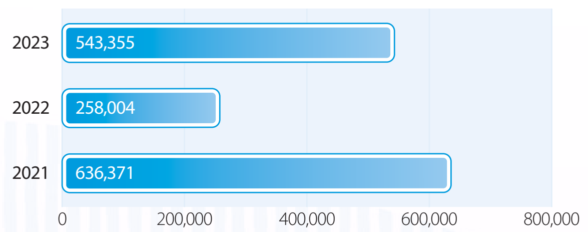
Notes:

a. Return on equity is calculated by dividing the profit/(loss) for the year by the weighted average equity attributable to ordinary equity holders of the Company. The weighted average equity attributable to ordinary equity holders of the Company for 2023 was HK$3,059,464,442 (2022: HK$3,159,882,702).

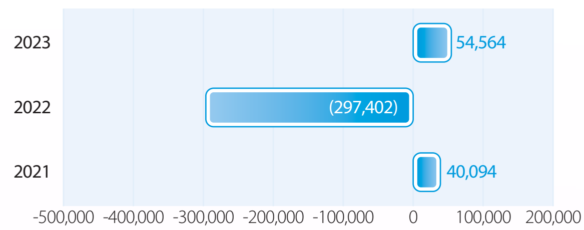
b. Gearing ratio is calculated by dividing the total of the repurchase agreements, bank borrowings, bonds and outstanding notes as at the end of the year by the total equity as at the end of the year.

c. Net debt to equity ratio is calculated by dividing the total of the repurchase agreements, bank borrowings, bonds and outstanding notes less bank balances – general accounts and cash as at the end of the year by the total equity as at the end of the year.

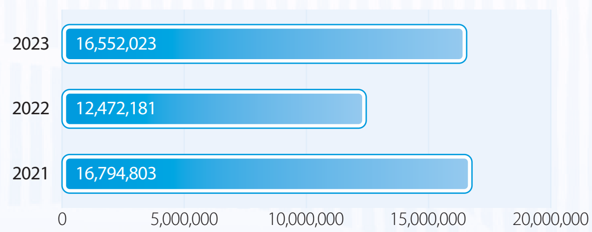
Revenue
(HK$'000)



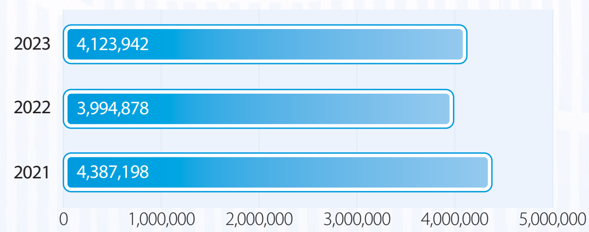
Profit/ (loss) for the year
(HK$'000)



Total assets
(HK$'000)



Total equity
(HK$'000)



I hereby would like to report to all shareholders that for the year ended 31 December 2023, the Group achieved an operating revenue of HK$543.35 million (2022: HK$258.00 million), representing a year-on-year increase of 110.60%. For the year ended 31 December 2023, the Group recorded a net profit after tax of HK$54.56 million (2022: net loss of HK$297.40 million), turning loss into profit.

In 2023, global economic growth momentum continued to slow down. Affected by the factors such as geopolitical conflicts, high inflation, monetary policy tightening, global economy faced increased downward pressure, leading to significant regional divergence in global stock markets. In 2023, Hong Kong's economy showed signs of recovery after the COVID-19 pandemic, with resumption of economic activities, and Hong Kong GDP recorded a year-on-year increase of 3.2%. However, Hong Kong stock market faced significant pressure, with the Hang Seng Index falling by 13.8% for the year and the average daily turnover shrinking by 15.9% year on year. The funds raised through initial public offerings (IPOs) decreased by 55.8%, ranking sixth in the global securities market. In 2023, in face of complex and challenging international environment, China's economy maintained steady progress, with the domestic GDP growing by 5.2% year-on-year, ranking among the world's major economies. The national economy showed good momentum of recovery with solid progress in high-quality development and successful achievement of key expected targets.

BUSINESS REVIEW

In 2023, in face of huge market challenges, the Group has made every effort to promote Industrial Securities's new development philosophy, specialise in the development of subsidiaries, focus on core businesses and core responsibilities, adhere to pursue progress while ensuring stability, and build international professional platform themed by "specialisation" and "collaboration". The Group continued to uphold the neutral and prudent risk preference, strengthen system construction, consolidate the compliance and risk control system, enhance the empowerment of financial technology, effectively improve operational service capabilities, and fully optimise the talent structure. The Group achieved remarkable results in the empowerment reform of main business lines.

In 2023, the Group continued to deepen its presence in the Hong Kong market, leveraged its professional advantages and promoted business development. The wealth management business completed institutional reforms and integration, achieving breakthroughs in financial product distribution. With the establishment of sales trading platforms, the institutional sales business intergrated internal sales resources, fully enhancing the sales and service capabilities for institutional clients. The investment banking business solidified and strengthened its advantages in bond underwriting, implemented multi-dimensional reforms and enhanced its level of professional expertise in equity investment banking business. The proprietary investment business seized market opportunities to expand the scale of investments, with its annual return outperforming market benchmark index. The overseas research maintained the leading position in the industry, consistently secured the first place for the best research award in mainstream selections such as New Fortune (新財富) and the Crystal Ball Award (水晶球獎), and continuously strengthened the empowerment of business. The Group established a treasury center to enhance its liquidity reserve management capabilities and launched the first private placement ECP note innovation project among Chinese securities firms in Hong Kong.

In 2023, the Group also placed a strong emphasis on the environment, social and governance (ESG), actively responded to the call of national "carbon peaking and neutrality" initiative, actively engaged in exploration and development of in the field of green finance and continuously improved our ESG management capabilities. The Group participated in the CDP Climate Change 2023 Scoring for the first time and achieved a management-level score of "B-". The Group signed a Memorandum of Understanding (MoU) with Hong Kong Quality Assurance Agency to fully strengthen cooperation in green finance business, build a green finance brand, and fulfill its mission in promoting green finance. During the Reporting Period, the Group assisted 16 enterprises in issuing green bonds, and proactively participated in the investments in green bonds, including ICBC and CCB as well as Japanese, Korean, European and US green bonds. Meanwhile, the Group proactively participated in various activities organized by charity organizations in Hong Kong to fulfill its corporate social responsibilities and promote social inclusion development in Hong Kong.

PROSPECTS

Looking ahead to 2024, the global economic recovery may still remain weak, and the growth momentum and monetary policy trends of major economies may further diverge. However, with the implementation of new policies such as the Hong Kong SAR Government's Quality Migrant Admission Scheme, Capital Investment Entrant Scheme, and Cross-boundary Wealth Management Connect Scheme, Hong Kong's capital market may present new development opportunities.

In 2024, the Group will adhere to the development concept of innovation, coordination, greenness, openness and sharing. It will continue to implement the "two-wheel linkage" and "greater synergy" strategies of Industrial Securities, further build an international professional platform, and form a new dual circulation pattern of internal and external development. Under the premise of keeping the bottom line of compliance and strict risk control, the Group will achieve the improvement and optimization of total revenue and profit as well as internal structures, effectively leverage the role of international professional platform of overseas business, generate sustainable and stable profitability, and deliver sustainable and stable returns to shareholders.

APPRECIATIONS

On behalf of the Board, I would like to express my heartfelt gratitude to all employees for their hard work in the past year. And, taking this opportunity, I would also like to thank all shareholders, business partners and customers of the Company for their long-term support.

Xiong Bo
Chairman of the Board

25 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND OVERVIEW

For the year ended 31 December 2023, the Group achieved an operating revenue of HK$543.35 million (2022: HK$258.00 million), representing a year-on-year increase of 110.60%. For the year ended 31 December 2023, the net profit after tax of the Group amounted to HK$54.56 million (2022: net loss of HK$297.40 million). The aforesaid turnaround from loss to profit is mainly due to the growth in revenue from the Group's core business of wealth management, financial products and investments. At the same time, the increasingly enhanced internal management capabilities and prudent risk management has continuously improved the assets quality of the Group and thus effectively reduced the Group's costs.

For the year ended 31 December 2023, the operating revenue of the Group from brokerage services, corporate finance services, asset management services, margin financing services, financial products and investments recorded a year-on-year decrease of 29.63%, a decrease of 10.68%, a decrease of 23.76%, an increase of 0.56% and an increase of 7,265.53%, respectively.

ANALYSIS OF PRINCIPAL BUSINESS

I. POLICY REVIEW

In 2023, China's financial markets experienced high level of volatility due to internal and external risk factors. However, with strong supports of policies, the overall operation of financial markets remained stable. The financial reforms and high-level opening up moved forward steadily. China's financial regulatory system entered into a new layout of "one commission, one bank, one administration and one committee", effectively enhancing the effectiveness of financial regulation, accelerating the construction of a modern financial system with Chinese characteristics, and effectively preventing financial risks.

In 2023, the Hong Kong Stock Exchange further promoted the upgrading and optimization of the connectivity mechanism. For example, up to 10 trading days were added throughout the year, over 1,000 underlying stocks were added to Shanghai and Shenzhen Stock Connect, and foreign companies were included in Hong Kong Stock Connect. In addition, the Hong Kong Stock Exchange also launched Swap Connect and HKD-RMB dual counter mode, reinforcing Hong Kong's position as a leading offshore RMB centre, and further enhancing Hong Kong's role as the global offshore RMB hub.

II. HONG KONG CAPITAL MARKET REVIEW

2023 was an extremely challenging year. The Hong Kong financial market was persistently affected by the Federal Reserve's interest rate hikes and geopolitical uncertainties, resulting in significant declines in both the primary and secondary capital markets. In 2023, the total amount of equity capital raised in Hong Kong's primary market was HK$150.7 billion, representing a sharp year-on-year decrease of 40.70%. Among them, the total amount of equity capital raised in the initial public offering was only HK$46.3 billion, representing a year-on-year decrease of 55.75%. The average daily trading volume of H shares in the secondary market was HK$105 billion, representing a year-on-year decrease of 15.93%. The Hong Kong stock market was under pressure, with the Hang Seng Index falling to its lowest level in nearly a decade, closing at 17,047 points at the end of December 2023, representing a decrease of 13.8% as compared to the beginning of the year. The significant decline in IPOs and the contraction of trading volume in the Hong Kong stock market in 2023 once again led to a wave of brokerage firm closures in Hong Kong. According to data from the Hong Kong Stock Exchange, after a record-breaking 49 brokerage firms closed in 2022, the situation did not improve during the year, with a total of 32 brokerage firms ceasing operations.

III. OPERATION REVIEW

1. Solidifying internal control system, promoting high quality business development

Despite market volatility, the Group has always emphasized on the building of compliance and risk control systems. Guided by Industrial Securities "14th Five-Year" plan and the strategic goal of building up a first-class securities and financial holding group, the Group has taken on the responsibility of boosting the internationalization process of Industrial Securities, strictly implemented the vertical penetration risk management requirements and firmly pursued the neutral-prudent risk preference strategy. Following the regulatory requirements, the Group has further improved the comprehensive risk management system, made good efforts in building of risk management systems and strengthened risk control across various business lines to promote high-quality business development.

Meanwhile, the Group strengthened fund management, optimized asset-liability allocation, and continuously enhanced liquidity risk control. In 2023, the Company's overall liquidity remained good, and the working capital indicators of each of the licensed subsidiaries continued to meet regulatory requirements, with sufficient high-quality current assets.

2. Inclusion in MSCI Hong Kong Small Cap Index for the first time, gaining market recognition for the Industrial Securities brand

The Group's stock was included in the MSCI Hong Kong Small Cap Index since the end of May 2023, gaining greater market attention and fully demonstrating the capital market's recognition on the Group's growth potential and confidence in its future development prospects. By the end of 2023, the Company's share price had increased by 114% from the beginning of the year, and the market capitalisation increased from HK$380 million to HK$812 million.

In 2023, the Group won 14 corporate level awards and 3 individual awards, including the Bloomberg Businessweek's Financial Institution Award, China Securities Golden Bauhinia Award, China Securities Industry Junding Award, Yinghua Awards (Overseas Funds), and Golden Central Award, showcasing that our products were favored by the market and gained market recognition.

3. First participation in CDP Climate Change 2023 Scoring and achievement of a management-level score of "B-"

In the context of the ongoing industry and regulatory efforts to advance ESG management, the Group also incorporated ESG development and management into its operations and management, corporate culture and routine work.

According to CDP Scoring Introduction 2023, the Group ranked among the top in the fields of strategic guidelines, financial planning and scenario analysis, emission reduction action and low carbon products, risk control measures and value chain engagement, where the Group's ratings in emission reduction action and low carbon products were higher than the industry average level. The rating results affirmed and encouraged the Company's efforts in climate change response and environmental management.

IV. BUSINESS REVIEW

Results Review

The Group's operating revenue derives from (i) brokerage; (ii) corporate finance; (iii) asset management; (iv) margin financing; and (v) financial products and investments.

Brokerage

For the year ended 31 December 2023, the Group recorded commission and fee income from brokerage services of HK$111.04 million (2022: HK$157.80 million), representing a year-on-year decrease of 29.63%. In face of tightening regulation and shrinking Hong Kong stock market, the brokerage business has been affected to some extent. However, the Group has promptly adjusted the business strategies, upgraded and transformed the wealth management business, tapped into the potential of existing clients, and leveraged the favorable conditions brought about by the full resumption of cross-border travel between Mainland China and Hong Kong. These have driven the development of diversified private wealth management businesses such as insurance and product offerings, achieving a breakthrough. By the end of 2023, the Company has launched a wide range of financial products, realising the revenue of HK$7.03 million from insurance brokerage business, representing a year-on-year growth of over 10 times. During the year, the Company was honored with the "Wealth Management Platform - Outstanding Award" 2023 by Bloomberg Businessweek.

Corporate finance

For the year ended 31 December 2023, the Group recorded revenue from corporate finance business of HK$40.83 million (2022: HK$45.71 million), representing a year-on-year decrease of 10.68%. For the year ended 31 December 2023, the Group's commission income from placing, underwriting and sub-underwriting of debt securities amounted to HK$29.69 million (2022: HK$33.80 million), representing a year-on-year decrease of 12.16%. According to Bloomberg data, the Group completed 100 bond underwriting transactions, with a total underwriting amount of US$1,218 million throughout the year, ranking 10th among Chinese securities firms. In particular, the Group secured third place in the market in terms of the underwriting amount for Chinese offshore bonds in Fujian province. Meanwhile, the Group facilitated the issuance of 16 offshore green bond projects, with a total underwriting amount of approximately HK$584 million. The Group's bond underwriting business maintained a leading position in the industry in terms of scale and ranking. During the year, the Group was honored with the "Offshore Investment Banking Award" at the China Securities Industry Junding Awards and the "Bonds Award" by Bloomberg Businessweek.

Asset management

For the year ended 31 December 2023, the Group recorded revenue from asset management business of HK$15.02 million (2022: HK$19.70 million), representing a year-on-year decrease of 23.76%. As of the end of 2023, the Group had 30 asset management products and the scale of assets under management was HK$6,200 million. Among them, CISI Stable Growth Bond Fund SP, the flagship fixed income product, has maintained steady returns, with a yield of 25.2% since its inception. During the year, it has been honored with "Three-year Credit Hedge" award at the Yinghua Awards (Overseas Funds) 2023.

Margin financing

In 2023, the Group continued to optimise the customer structure and reduced the financing scale of low-quality secured margin loan, which significantly optimized its asset quality. For the year ended 31 December 2023, the Group recorded revenue from margin financing business of HK$30.27 million (2022: HK$30.10 million), representing a year-on-year increase of 0.56%.

Financial products and investments

As the financial market fluctuated in 2023, the Group always adhered to the principle of sound and prudent investment, strictly selected the investment pools and strictly complied with the Group's various risk limits. During the year, the Group has expanded its equity investments and seized market opportunities to enlarge the bond investment scale. In 2023, the Group's fixed-income investment return significantly outperformed the benchmark index return (Bloomberg Barclays China US Dollar Bond Index). For the year ended 31 December 2023, the Group's revenue from financial products and investments amounted to HK$346.18 million (2022: HK$4.70 million), representing a year-on-year increase of 7,265.53%.

FINANCIAL POSITION

As at 31 December 2023, the total assets of the Group increased by 32.71% to HK$16,552.02 million (31 December 2022: HK$12,472.18 million). As at 31 December 2023, the total liabilities of the Group increased by 46.60% to HK$12,428.08 million (31 December 2022: HK$8,477.30 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

As at 31 December 2023, the net current assets of the Group decreased by 19.81% to HK$4,435.54 million (31 December 2022: HK$5,531.35 million). As at 31 December 2023, the current ratio of the Group (defined as current assets divided by current liabilities as at the end of the respective financial year) decreased to 1.4 times (31 December 2022: 1.9 times).

For the year ended 31 December 2023, the net cash outflow of the Group amounted to HK$811.80 million (31 December 2022: outflow of HK$2,755.01 million). As at 31 December 2023, the bank balance of the Group amounted to HK$1,892.15 million (31 December 2022: HK$2,703.95 million).

As at 31 December 2023, the total bank borrowings of the Group increased by 118.26% to HK$2,184.58 million (31 December 2022: HK$1,000.91 million).

As at 31 December 2023, the Group had outstanding bonds of HK$2,087.23 million (31 December 2022: HK$2,079.99 million) and outstanding notes of HK$168.28 million (31 December 2022: nill). As at 31 December 2023, the gearing ratio of the Group (defined as the sum of repurchase agreements, bank borrowings, outstanding bonds and outstanding notes divided by total equity) increased by approximately 83.9% to 210.0% (31 December 2022: 126.1%).

As at 31 December 2023, the total equity attributable to holders of ordinary shares amounted to HK$3,123.94 million (31 December 2022: HK$2,994.88 million).

FUTURE PLAN

The Group will continue to deepen synergy reform, and form a dual circulation pattern of internal and external development. On one side, the Group will strengthen the collaboration among various business lines within the Group, make the layout in advance, and open up the situation to promote flexible development; on the other hand, the Group will increase synergy with the parent company, continue to implement the "two-wheel linkage" and "greater synergy" strategies, build an international professional platform of cross-border linkage, and form a new dual circulation pattern with a virtuous cycle of internal and external development.

The Group will continue to strengthen its development in professionalism, and improve corporate profitability. First, the Group will continue to deepen wealth management business transformation, improve wealth management business structure, continuously optimise customer and income structure, solidify wealth management base; asset management business shall enrich product layout, on the basis of enlarging and enforcing current flagship products, extend current product width, and further improve active management scale. Second, the Group will make full play to research efforts, and drive the market competitiveness of institutional sales and tradings business to a new level. We will continue to ensure overseas research capability remains an industry leading position, further enlarge the name card effect of our overseas research, and fully support the development of other business segments, in particular, institutional sales and tradings, investment banking, self owned fund investment business etc. Third, in terms of investment banking business, our debt financing business line will strive to maintain a growth momentum. We will focus on participating in the issuance of high-quality projects to further improve the Group's underwriting ranking; focus on key industrial in terms of equity financing business, grasp new opportunities for reform, and continue to monitor new policy reform and existing customers conversion. Fourth, the Group will continue to uphold the prudent investment strategy, maintain risk-return balance, improve asset application capability and benefit, deepen business innovation, and promote cross-boundary derivative business development.

The Group will continue to improve the internal control system, adhere to the neutral-prudent risk preference, stick to the bottom line of compliance and risk control, ensure business high quality sustainable development; optimise the allocation of human, financial and material resources, strive to reduce the operating costs; continue to enhance the construction of information systems, reinforce technology-empowered business development and internal control, and comprehensively improve the Company's operation and management capabilities.

Looking forward, we will continue to be united and dedicated to strive for the sound and sustainable development of the Company, and strive to bring considerable returns to all shareholders.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 31 December 2023, the Group had no significant investments, material acquisition or disposal of subsidiaries or affiliated companies.

PLEDGE OF ASSETS BY THE GROUP

For the year ended 31 December 2023, the Group's assets pledged were mainly debt securities pledged as collaterals for repurchase agreements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group has employed 230 full-time employees (31 December 2022: 193 full-time employees), including the Directors. Total remuneration for the year ended 31 December 2023 amounted to HK$196.92 million (2022: HK$160.10 million). The remuneration policy will be reviewed by the Group from time to time in accordance with market practice, and the bonus will be distributed with reference to individual performance appraisal, prevailing market condition and the financial performance of the Group. Other employee benefits include contributions to the mandatory provident fund scheme and medical care insurance.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities for the year ended 31 December 2023 and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of corporate bonds after the reporting period

On 2 February 2024, the Company issued US$300,000,000 corporate bonds with floating interest rate of secured overnight financing rate + 0.9% per annum with a three year maturity which is guaranteed by the Company's controlling shareholder, Industrial Securities Co., Ltd.

(b) Redemption of corporate bonds after the reporting period

On 9 February 2024, the Company redeemded the 3-year fixed rate corporate bonds issued in 2021 with a remaining principal amount of US$265,000,000 upon maturity.

Save as disclosed above, the Directors were not aware of any significant events related to the business or financial performance of the Group after the reporting period.

RISK MANAGEMENT

Risk management framework and mechanism

The Group has established a comprehensive risk management organizational structure consisting of the Board, management, the risk management committee, risk management department, departments and subsidiaries. The Board shall undertake the ultimate responsibility for comprehensive risk management, be responsible for the supervision and guidance of the risk management of the Company, approve the risk preference of the Company, and control the overall risk of the Company within a reasonable range to ensure that the Company can effectively manage the risk control in business activities. The management shall lead and manage various risks in the course of business of the Company and promote the planning, construction and implementation of the comprehensive risk management system of the Company. The risk management committee under the management shall carry out the risk management work of the Company with the authorization of the management, be responsible for guiding, supervising and coordinating the implementation of the work related to risk management of the Company, provide advices on the improvement and updating of the organizational system, and promote the comprehensive risk management construction of the Company. Under the leadership of the compliance and risk control director, the risk management department shall organize and promote the comprehensive risk management work of the Group, organize to conduct identification, evaluation, monitoring, analysis and tests on the overall risk, aggregate risk faced in the course of operation and management of the Group and its changing trend, and put forward corresponding control measures and solutions.

The Group has built three lines of defence for risk management, of which the first line of defence is effective self-control by all departments and subsidiaries, the second line of defence is professional risk management by the risk management department before and during business operations, and the third line of defence is post-supervision and evaluation by the audit department. The design of the "three lines of defence (三道防線)" of risk management governance structure has effectively provided guarantees for the efficiency and effectiveness of risk management.

The Group has implemented the risk preference, quota management and authorization management system, kept the business philosophy of "stable operation for sustainable development (穩健經營、長遠發展)" based on the neutral and prudent risk preference determined by the Board, and adhered to the development idea of seeking progress while keeping performance stable, conducted precise identification, careful evaluation, dynamical monitoring and overall management on various risks, such as liquidity risk, market risk, credit risk, operational risk, reputation risk, and compliance and legal risk in a timely manner in the course of business of the Company to ensure that various risks were controlled within a reasonable range that is measurable, controllable, acceptable and without spillover. The Group has endeavored to build a sound organizational structure, operational management system, quantifiable risk indicator system, reliable information system and professional talent team, so as to realize the detectability, measurability, analysis and risk-response in risk management, facilitating the sound business development of the Group in the long run and the achievement of strategic objectives.

Credit risk

The Group's exposure to credit risk refers to the risk of losses to the Group arising from non-performance by the debtors or counterparties. The Group has established a risk management committee to review and monitor the implementation of credit risk management policies, and to update relevant risk management policies to adapt to changes. The Group has also set up an investment and financing business review committee, which is responsible for reviewing and re-examining the policies relating to credit approval, transaction limits and credit limits. The Group has regularly re-examined the implementation of existing investment and financing projects and margin loans to assess the credit risk exposure, and has taken appropriate measures to mitigate risks.

The Group has closely monitored the risk limit indicators of credit business, adopted measures such as daily mark-to-market and timely warning, and established a public opinion information monitoring mechanism for debtors, collaterals and counterparties to effectively respond to sudden public events to formulate response plans in advance. We will regularly conduct stress tests, take appropriate measures to compensate for or minimize losses in the event that customers may not fulfill their obligations, properly resolve risks, and effectively carry out post-investment management. We will also regularly measure the impairment of our financial assets and make provision for expected credit losses in a timely manner, in accordance with the latest standards on financial instruments and using reasonable and evidence-based forward-looking information based on our existing business.

Liquidity risk

The Group's exposure to liquidity risk refers to the risk of failure to obtain sufficient capital at reasonable cost in time to repay debts which are falling due, fulfill other payment obligations and meet the liquidity requirement for ordinary business operation.

The Group has formulated liquidity risk management system and process to identify, address, monitor and mitigate potential liquidity risks, and maintained liquidity and financial resource requirements in accordance with applicable laws and regulations (such as the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)).

The Group has formulated a multi-level authorization mechanism and internal policies for managing and approving the use and allocation of capital. It has set up restrictions on authorization in respect of any commitments or capital outflows (such as procurement, investment and loans), and evaluated the impact of such transactions on capital adequacy.

The Group has met its financing needs primarily through obtaining bank loans from certain banks and issuing bonds, and constantly explored and expanded financing channels and methods. The Group has also adopted strict liquidity management measures, including but not limited to daily monitoring reports, future cash flow forecasts and liquidity stress tests, to ensure that the planning and management of liquidity is prepared well and that the Group satisfies the capital requirements stipulated by applicable laws.

Market risk

The Group's exposure to market risk refers to the risk of potential losses incurred to the Group arising from adverse changes in exchange rates, interest rates and prices of financial assets and financial liabilities.

The Group has formulated policies and procedures to monitor and control market risks arising from carrying out business. Prior to engaging in any new transaction or launching any new business, each business segment of the Group will arrange professionals with appropriate qualifications and industry experience to discuss and evaluate the relevant market risks, and develop management and mitigation measures for such market risk.

The Group has set up market risk limit indicators, and regularly reviewed and adjusted market strategies to adapt to changes in operating results, risk tolerance and market conditions. In terms of financial products and investment business, the Group has formulated different selection criteria for bonds and other fixed-income products, prudently selected industries and enterprises, and followed up and monitored macro-economic trends to optimize investment strategies.

Operational risk

The Group's exposure to operational risk refers to the risk of losses to the Group caused by imperfect or defective internal procedures, employees, information systems or external events. The main goal of the operational risk management of the Group is to promote a good operational risk management culture according to the regulatory requirements and the development strategy of the Company, establish and improve the operational risk management framework and system in line with the actual situation of the Company, and reduce the frequency and impact of operational risk events.

The Group has established an operational risk management structure consisting of the Board, management, the risk management committee, the risk management department and each functional department. The management of operational risk involves all departments and all employees, with penetration into various business activities, business processes and operational procedures.

The Group has established a sound management mechanism and effective internal control procedures. Through operational risk policies, risk reporting mechanisms, operational risk limit indicators, risk control matrices, operational risk systems and risk warnings, the operational risk events will be identified, evaluated, monitored and followed up before, during and after events. At the same time, through sharing the cases of operational risk and training, the overall operational risk awareness of the Group has been improved, the operational risk management has been strengthened, and the ability to respond on operational risk has been improved. The risk management department has regularly analyzed and evaluated operational risk events, continuously monitored the operational risk conditions and its changing trend of the Group, and regularly reported the implementation of relevant indicators, and also followed up operational risk events to ensure that the operational risk losses of the Company are under control, and improved operational risk monitoring and management.

The Group has set up a business continuity management mechanism, in place with contingency plans and business continuity plans combined with risk scenarios, business models, system settings and other important risk factors, and retained sufficient disaster recovery office facilities, regularly carried out business continuity exercises, comprehensively improved the Group's ability to respond to emergencies and operational interruptions to ensure smooth and orderly operation.

Compliance and legal risks

The Group has proactively promoted the establishment of a stable and sound compliance and legal risk management framework, formulated relevant policies, processes and templates, kept a close eye on the prevailing laws and regulations relating to business operations, and made timely adjustments and improvements to the internal compliance and legal risk management policies and processes based on the changes of external laws and regulations to ensure that the Company's business operations comply with the laws and regulations as amended from time to time.

The Group has set up a compliance management structure and established three lines of defense for compliance management, of which the legal and compliance department takes the lead in formulating the compliance management policies and procedures of the Group, providing compliance advice for various business plans and affairs, closely monitoring the compliance operation of the licensed businesses of the Group, and supervising all business segments to strictly implement relevant regulatory requirements. Meanwhile, in order to foster a sound compliance culture atmosphere and strengthen compliance awareness, the legal and compliance department has taken the lead in organizing legal and compliance trainings for employees from time to time and provided internal guidance for the latest regulatory updates.

The legal and compliance department of the Group is assisted by full-time legal personnel. Meanwhile, the Group has engaged four legal consultants who have cooperated with the Group throughout the years and maintained close relationships with other external law firms. Through close cooperation with full-time legal personnel and external legal advisers or law firms, the Group can prevent and address various legal risks in a timely manner.

Reputation risk

The Group's exposure to reputation risk refers to the risk of public negative views on the Group from shareholders, employees, customers, third-party cooperation institutions and regulatory agencies caused by the operations, management and other behaviors or external events. The Group has proactively promoted the construction of reputation risk management mechanism, effectively prevented reputation risk and addressed reputation risk events, and conducted all-rounded and whole-process management over classification, identification, assessment, reporting, handling and evaluation of reputation risk occurred in the course of the operation and management, so as to minimize losses and negative impacts on the reputation and brand image of the Group. During the reporting period, the Group has further improved its reputation risk management system, maintained an overall stable public sentiment, and has not experienced major reputation risk events.

NON-EXECUTIVE DIRECTOR

Mr. Xiong Bo ("Mr. Xiong"), aged 46, was appointed as a non-executive Director and the chairman of the Board, the chairman of nomination committee and a member of each of the audit committee and the remuneration committee under the Board on 4 March 2024. Mr. Xiong is currently the director and chief executive officer of Industrial Securities (Hong Kong) Financial Holdings Limited ("Industrial Securities (Hong Kong)"), the controlling shareholder of the Company (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), the director of IS (Hong Kong) Investment Limited and the director and chief executive officer of Industrial Securities (Singapore) Financial Holdings Pte. Ltd., the director of Industrial Securities (Singapore) Pte. Ltd. and Industrial Securities (Singapore) Corporate Advisory Pte. Ltd., which are the subsidiaries of Industrial Securities (Hong Kong). Mr. Xiong has over 23 years of experience in the financial services industry.

Mr. Xiong joined Industrial Securities Co., Ltd. ("Industrial Securities") (a company listed on the Shanghai Stock Exchange, stock code: 601377), the parent of the Company, in 2001. He was general manager of the Xi'an sales department, general manager of the retail client department, a member of private wealth management business committee, general manager of wealth management department, general manager of Northwest branch, general manager of Beijing branch and general manager of sales and trading business headquarter of Industrial Securities.

Mr. Xiong obtained a doctor degree in Management from The Hong Kong Polytechnic University in October 2014.

EXECUTIVE DIRECTOR

Ms. Zhang Chunjuan ("Ms. Zhang"), aged 40, was appointed as an executive Director and the chief executive officer on 2 August 2019 and 18 January 2024, respectively. She was also appointed as chief financial officer of the Company on 17 July 2019. Ms. Zhang is also a director of various subsidiaries of the Group. Ms. Zhang was appointed as a deputy chief executive officer and chief financial officer of Industrial Securities (Hong Kong) Financial Holdings Limited, the controlling shareholder of the Company (as defined in the Listing Rules) on 19 March 2019, she was also appointed as an executive director, general manager and legal representative of Industrial Securities Consultancy Service (Shenzhen) Company Limited* on 18 January 2024, which is the subsidiary of Industrial Securities (Hong Kong). Currently, she is a director of Intelligent Capital Company Limited and manager of Artland International Company Limited LLC and 118 East 59th Street Realty LLC. Ms. Zhang was deputy chief executive officer and chief compliance officer of the Company from 17 July 2019 to 18 January 2024. Ms. Zhang has over 15 years of experience in financial services industry.

From July 2008 to September 2013, Ms. Zhang served as the manager of information management and analysis department of the integrated business planning department of planning and finance department of Industrial Securities. From October 2013 to April 2015, Ms. Zhang served as the manager and senior manager of tax planning and accounting internal control department of finance department of Industrial Securities. From May 2015 to May 2017, Ms. Zhang served as the manager and senior manager of financial management and analysis department financial management division of finance department of Industrial Securities. From May 2017 to December 2017, Ms. Zhang served as the assistant general manager of finance department and manager of financial management analysis department. From January 2018 to October 2018, Ms. Zhang served as the director of planning and analysis department of planning and finance department of Industrial Securities. From October 2018 to March 2019, Ms. Zhang served as the assistant general manager of planning and finance department and the director of planning and analysis department of Industrial Securities.

Ms. Zhang obtained a master degree in accounting from Shanghai University of Finance and Economics in July 2008. She is also a certified public accountant and intermediate accountant of the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hong Ying ("Ms. Hong"), aged 73, was appointed as an independent non-executive Director on 27 July 2016 and the chairlady of audit committee under the Board on 30 September 2016. Ms. Hong has over 45 years of experience in the accounting industry. Ms. Hong is also qualified as a fellow certified public accountant and senior accountant in the PRC and a fellow certified public accountant of CPA Australia, and international associate member of Hong Kong CPA. Currently, Ms. Hong is the chairlady and shareholder of Beijing Fortune C.P.A Limited, a firm engaged in enterprise audit and accounting and consulting services, which is based in the PRC. Ms. Hong is also the chairlady and legal representative of Beijing Fortune International Enterprise Management Consulting Limited, and the chairlady of Fortune International (Asia) Limited and a director and council member of The Hong Kong Independent Non-Executive Director Association. Ms. Hong is also as a founder member and a director of China Independent Non-Executive Director Association Limited, and a director of The Hong Kong Chinese Enterprises Association. Ms. Hong has served as an independent director of Hangzhou Wanshili Silk Culture Co., Ltd. (杭州萬事利絲綢文化股份有限公司) in the last three years.

Ms. Hong completed the Finance CEO programme jointly offered by the Cheung Kong Graduate School of Business, Columbia Business School and London Business School in January 2009, and obtained a certificate in Executive Management from the Golden Gate University, the United States in August 1993.

Mr. Tian Li ("Mr. Tian"), aged 55, was appointed as an independent non-executive Director on 27 July 2016 and the chairman of remuneration committee and a member of audit committee and nomination committee under the Board on 30 September 2016. Mr. Tian has over 23 years of experience in the financial services industry. Currently, Mr. Tian is a director of Shanghai Tuhong Investment Management Company Limited (上海圖鴻投資管理有限公司), a company primarily engages in strategic investment, asset management, and the provision of corporate advisory services. He is also the chairman of Windsor School Holding LLC (US), an executive director of New York Institute of Finance Inc., an executive director and chief executive officer of NYIF International Holding LLC, a legal representative of NYIF Information Technology Development Co., Ltd. and a managing director of Shanghai Li Ding Information Technology Development Limited (上海力鼎信息科技發展有限公司) and Shanghai Hui Sheng Equity Investment Management Limited (上海惠盛股權投資管理有限公司) respectively. Mr. Tian has served as an independent director of China Industrial International Trust Limited (興業國際信託有限公司) in the last three years. Mr. Tian's previous experiences include employment with Bank of China International Limited as group executive director and head of financial institutions from January 2002 to October 2004.

Mr. Tian graduated with a bachelor degree in engineering from the People's Liberation Army University of Science and Technology (previously known as the People's Liberation Army Institute of Engineering Corps), the PRC, in July 1990. He then obtained a master degree in civil engineering from Cleveland State University, the United States, in August 1996, and a further master degree in business administration from Duke University, the United States, in May 1999.

Mr. Qin Shuo ("Mr. Qin"), aged 55, was appointed as an independent non-executive Director on 27 July 2016 and a member of remuneration committee and nomination committee under the Board on 30 September 2016. Mr. Qin was the chief editor of China Business News (第一財經日報), from June 2004 to October 2015 and was an independent director of Shenzhen Bosun Institute of Management Science Co. Ltd (深圳市博商管理科學研究院股份有限公司), a consulting company trading on the National Equities Exchange and Quotations system in the PRC. Currently, Mr. Qin is a director of Guangzhou Microdream Media Co., Ltd. (廣州市匯志文化傳播股份有限公司), and an independent director of Oppein Home Group Inc. (歐派家居集團股份有限公司), whose shares are listed on The Shanghai Stock Exchange (stock code: 603833.SS).

Mr. Qin graduated with a bachelor degree in journalism from Fudan University, the PRC in July 1990, a master degree in public administration from California State University (Northridge), the United States, in June 2001 and further obtained his doctorate degree in business administration from Sun Yat-sen University, the PRC, in June 2009.

* *For identification purpose only*

SENIOR MANAGEMENT

Ms. Zhang Chunjuan
Chief Financial Officer

Biographies of Ms. Zhang Chunjuan are set out on page 16 of this annual report.

Mr. Kwok Kei Chi
Chief Compliance and Risk Officer

Mr. Kwok Kei Chi ("Mr. Kwok"), aged 53, was appointed as the chief compliance and risk officer on 18 January 2024. He is currently the assistant chief executive officer of the Company and the general manager of the clientele department and, as well as a director of various subsidiaries of the Company. Mr. Kwok was appointed as a supervisor of Industrial Securities Consultancy Service (Shenzhen) Company Limited*, the subsidiary of Industrial Securities (Hong Kong), the controlling shareholder of the Company (as defined in the Listing Rules) on 18 January 2024. Mr. Kwok was the chief risk officer of the Company from 4 August 2023 to 18 January 2024. Mr. Kwok has over 28 years of experience in the financial services industry.

From April 1996 to December 2011, Mr. Kwok has successively served as management trainee, officer, manager and deputy head of the settlement department, and operation manager, head of China operations, and the general manager of operations of CASH Financial Services Group Limited (stock code:0510); the chief operating officer of I-Access Investors Limited. From December 2011 to August 2021, Mr. Kwok was the general manager of mainland business department of the Company and a director of various subsidiaries of the Company.

Mr. Kwok obtained a bachelor degree in accounting from the University of Abertay (formerly known as Dundee Institute of Technology) in 1993 and a master degree in finance from the University of Strathclyde in 1995.

REPORT OF THE BOARD OF DIRECTORS

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2023 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of brokerage services, margin financing services, corporate finance services, asset management services and financial products and investments.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections of Management Discussion and Analysis on pages 7 to 15 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Group as at that date are set out in the consolidated statement of profit or loss and other comprehensive income on pages 48 to 49 of this report.

The Board did not recommend any payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

SHARE CAPITAL

Details of the authorised and issued share capital of the Company are set out in note 33 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 52 and note 47 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the distributable reserves of the Company amounted to approximately HK$2,718,404,325 (2022: HK$2,575,203,370) under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Details of major customers are set out in note 6 to the consolidated financial statements.

Due to the nature of our business activities, the Group has no major suppliers and thus the percentage of purchases attributable to the largest supplier and the percentage of purchases attributable to the 5 largest suppliers combined are not applicable.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (the "Shareholders") (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for each of the last five financial years is set out on page 156 of this report.

DIRECTORS

The directors of the Company during the Year and up to the date of this report are as follows:

NON-EXECUTIVE DIRECTORS:

Mr. Xiong Bo *(Chairman)* (Appointed on 4 March 2024)
Mr. Hu Pingsheng *(Chairman)* (Resigned on 4 March 2024)

EXECUTIVE DIRECTORS:

Ms. Zhang Chunjuan *(Chief Executive Officer)*
Mr. Cai Junzheng *(Chief Executive Officer)* (Resigned on 18 January 2024)
Ms. Zeng Yanxia (Retired on 10 May 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Ms. Hong Ying
Mr. Tian Li
Mr. Qin Shuo

Mr. Xiong Bo had confirmed that, on 2 February 2024, he obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to The Stock Exchange of Hong Kong Limited and he understood his obligations as a director of a listed issuer pursuant to Rule 3.09D of the Listing Rules.

Pursuant to articles 108(a) and (b) of articles of association of the Company (the "Articles of Association"), Ms. Hong Ying and Mr. Qin Shuo shall retire from office at the forthcoming annual general meeting of the Company ("AGM"), and being eligible, will offer themselves for re-election.

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

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the requirement of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2023 interim report of the Company are set out below:

Director	Detail of change
Zhang Chunjuan	Appointed as the chief executive officer of the Company on 18 January 2024
	Appointed as an executive director, general manager and legal representative of Industrial Securities Consultancy Service (Shenzhen) Company Limited* (興證諮詢服務(深圳)有限公司) on 18 January 2024
	Resigned as a deputy chief executive officer and chief compliance officer of the Company on 18 January 2024
	Resigned as a supervisor of Industrial Securities Consultancy Service (Shenzhen) Company Limited* (興證諮詢服務(深圳)有限公司) on 18 January 2024
	Appointed as a chief executive officer of Industrial Securities (Singapore) Financial Holdings Pte. Ltd. from 10 August 2023 to 18 January 2024
	Appointed as a director of Industrial Securities (Singapore) Financial Holdings Ptd. Ltd. from 11 September 2023 to 18 January 2024
	Appointed as a director of Industrial Securities (Singapore) Corporate Advisory Ptd. Ltd. and Industrial Securities (Singapore) Ptd. Ltd. from 3 November 2023 to 18 January 2024, respectively

DIRECTORS' SERVICE CONTRACTS

Executive Directors have entered into service contracts with the Company for a term of three years and be thereafter continuous unless and until the termination by either party thereto giving no less than three months' prior written notice.

The non-executive Director and independent non-executive Directors are appointed for a term of three years and either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

DIRECTORS' EMOLUMENTS

The Directors' fees are subject to Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group. Details of the emoluments of Directors are set out in note 11 to the consolidated financial statements of this report.

* *For identification purpose only*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company (the "Chief Executive") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code") were as follows:

Long position in ordinary shares of HK$0.1 each and debentures of the Company

Name of Directors	Capacity/Nature	Number of Shares held	Approximate percentage	Amount of debentures held
Hu Pingsheng (Resigned on 4 March 2024)	Beneficial owner	7,204,858	0.18%	–
Cai Junzheng (Resigned on 18 January 2024)	Beneficial owner	2,040,000	0.05%	–
Zhang Chunjuan	Beneficial owner	1,004,000	0.03%	HKD9,900,000 USD200,000

Save as disclosed above, as at 31 December 2023, none of the Directors or Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Group and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as the Directors and the Chief Executive are aware, as at 31 December 2023, the following persons/corporations (other than a Director or the Chief Executive of the Company) had interests or short positions in the Shares and the underlying Shares, which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of Interest	No. of Shares held	Approximate percentage of Shareholding
Industrial Securities (Hong Kong) Financial Holdings Limited	Beneficial owner	2,252,071,644	56.30%
Industrial Securities *(Note 1)*	Interest of controlled corporation	2,252,071,644	56.30%
Harvest Capital Management Co., Ltd *(Note 2)*	Investment manager	293,232,000	7.33%
Harvest Fund Management Co., Ltd. *(Note 2)*	Interest of controlled corporation	293,232,000	7.33%
China Credit Trust Co., Ltd *(Note 2)*	Interest of controlled corporation	293,232,000	7.33%
Hao Kang Financial Holdings (Group) Limited *(Note 3)*	Beneficial owner	205,853,089	5.15%
Apex Trade Holdings Limited *(Note 3)*	Interest of controlled corporation	205,853,089	5.15%
Chen Jiaquan *(Note 3)*	Interest of controlled corporation	205,853,089	5.15%
Yang Zhiying *(Note 4)*	Interest of spouse	205,853,089	5.15%

Notes:

1. Industrial Securities holds the entire issued share capital of Industrial Securities (Hong Kong) Financial Holdings Limited. Therefore, Industrial Securities is deemed or taken to be interested in all the Shares held by Industrial Securities (Hong Kong) Financial Holdings Limited for the purposes of the SFO.

2. China Credit Trust Co., Ltd holds 40% of the entire issued share capital of Harvest Fund Management Co., Ltd., and Harvest Fund Management Co., Ltd. holds 75% of the entire issued share capital of Harvest Capital Management Co., Ltd, Therefore, China Credit Trust Co., Ltd and Harvest Fund Management Co., Ltd. are deemed or taken to be interested in all the Shares held by Harvest Capital Management Co., Ltd for the purposes of the SFO.

3. Chen Jiaquan holds 70% of the total issued share capital of Apex Trade Holdings Limited and is the sole director of Hao Kang Financial Holdings (Group) Limited and therefore is deemed or taken to be interested in all the Shares held by Apex Trade Holdings Limited and Hao Kang Financial Holdings (Group) Limited for the purpose of the SFO.

4. Yang Zhiying is the spouse of Chen Jiaquan. Under the SFO, Yang Zhiying is deemed, or is taken to be, interested in all the Shares in which Chen Jiaquan is interested.

Save as disclosed above, as at 31 December 2023, the Company has not been notified by any persons, other than the Directors and the Chief Executive who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and to the best knowledge of the Board, at no time during the Year was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors or chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the Year or at the end of the Year.

COMPETING INTERESTS

Save for the continuing connected transactions as disclosed in the section headed "Relationship with the controlling shareholders" and "Connected transactions" in the prospectus of the Company dated 30 September 2016 (the "Prospectus"), none of the Directors or the controlling shareholders of the Company nor their respective close associates as defined in the Listing Rules had any interest in business that competed or might compete with business of the Group during the Year.

MANAGEMENT CONTRACTS

The Board is not aware of any contract entered into with the management and administration of the whole or any substantial part of the business of the Company during the Year.

EMOLUMENT POLICY

The Directors of the Company receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors, as well as the performance of the Group.

The Group regularly reviews and determines the remuneration and compensation packages of the Directors by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

The remuneration committee of the Company will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

CONTINUING DISCLOSURE OBLIGATION UNDER RULE 13.21 OF THE LISTING RULES

On 31 December 2020, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender to renew an uncommitted revolving loan facility in an aggregate amount of up to HK$800,000,000. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to remain as the single largest shareholder of the Company.

On 25 April 2023, the Company as borrower entered into a supplemental facility letter (the "Supplemental Facility Letter") with a bank as lender to renew an uncommitted revolving loan facility in an aggregate amount of US$50,000,000 (or its equivalent in HKD). As a condition of the Supplemental Facility Letter, it shall be an event of default if Industrial Securities ceases to legally and beneficially own (either directly or indirectly) not less than 51% of the issued share capital of the Company and ceases to maintain the management control over the Company.

On 17 May 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK$500,000,000 (or its equivalent in USD) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to directly or indirectly own at least 51% of the issued share capital of the Company.

On 23 May 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK$300,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to hold directly or indirectly not less than 51% of the issued share capital of the Company and maintain the absolute management control over the Company.

On 13 June 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US$30,000,000 (or its equivalent in HKD) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own directly or indirectly not less than 51% of the issued share capital of the Company and maintain the absolute management control over the Company.

On 28 June 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK$100,000,000 to the Company (the "Facility"). As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to be the single largest shareholder of the Company and hold not less than 51% of the issued share capital of the Company.

On 30 October 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an offshore revolving loan facility in an aggregate amount of up to US$50,000,000 (or its equivalent in HKD). As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to maintain (directly or indirectly) control over the Company.

On 16 November 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US$35,000,000 (or its equivalent in HKD or RMB) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own (either directly or indirectly) at least 51% of the issued share capital of the Company.

On 29 November 2023, the Company and China Industrial Securities International Brokerage Limited ("CISI Brokerage"), a direct wholly-owned subsidiary of the Company, as borrower, entered into a facility letter (the "Facility Letter A") with a bank as lender, pursuant to which the lender has agreed to make available an uncommitted short term loan facility in an aggregate amount of up to HK$900,000,000 to the Company and CISI Brokerage. The Company provides a guarantee (the "Guarantee") for CISI Brokerage and controls the amount of this guarantee not to exceed HK$900,000,000 through internal control. As a condition of the Facility Letter A, it shall be an event of default if Industrial Securities ceases to beneficially own (either directly or indirectly) at least 51% of the issued share capital of the Company and CISI Brokerage.

On 29 November 2023, CISI Brokerage as borrower entered into a short term loan for initial public offering financing facility letter (the "Facility Letter B") with a bank as lender, pursuant to which the maximum amount will be determined by the lender at sole absolute discretion on or before each loan advance to the Company. As a condition of the Facility Letter B, it shall be an event of default if Industrial Securities ceases to beneficially own (either directly or indirectly) at least 51% of the issued share capital of the Company and CISI Brokerage.

On 18 January 2024, the Company as borrower entered into a supplemental facility letter (the "Supplemental Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK$300,000,000. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to maintain directly or indirectly not less than 51% of the issued share capital of the Company and maintain the absolute management control over the Company.

On 26 January 2024, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available uncommitted bank facilities in an aggregate amount of up to HK$3,000,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own and maintain (directly or indirectly) at least 51% of the issued share capital of the Company.

As at the date of this report, the above specific performance obligations imposed on Industrial Securities under the aforesaid facility letters continued to exist.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group conducted the following transactions which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules:

On 3 April 2018, the Company and Industrial Securities Consultancy Service (Shenzhen) Company Limited* (興證諮詢服務(深圳)有限公司) ("Industrial Securities (Shenzhen)") entered a service agreement (the "Service Agreement"), pursuant to which Industrial Securities (Shenzhen) agreed to provide consultancy services to the Group, include, among others, (i) the consultancy services including the consulting services on economic information, and assisting the Group in collecting and analysing information on macroeconomics, industry news and market information in the PRC; (ii) the services and support to the Group's clients in core regions in the PRC (non-regulated activities); and (iii) provision of cross-border information technology support. The term of the Service Agreement is for three years from 1 January 2019 to 31 December 2021. The proposed cap amounts for the provision of the abovementioned services by Industrial Securities (Shenzhen) to the Company was HK$68 million, HK$105 million and HK$153 million for each of the three years ended 31 December 2021, respectively.

* *For identification purpose only*

On 3 November 2021, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement"), pursuant to which, Industrial Securities (Shenzhen) will provide the new services to the Group: (i) logistics management services to the Group, including but not limited to provision of client visits, answering customer service calls, and financial settlement services; (ii) information consultancy services (excluding licensing information consultancy services), including but not limited to the provision of consultancy services on economic information and delivery and consultancy services on business information; (iii) corporate management services, including but not limited to personnel training services; (iv) software development services; and (v) information technology consultancy services, including but not limited to the provision of cross-border information technology support.

On 3 November 2021, the Company and Industrial Securities (Shenzhen) renewed the Service Agreement (as amended by the Supplemental Service Agreement) (the "Renewal Service Agreement") for a further term of three years from 1 January 2022 to 31 December 2024. The proposed cap amounts for the provision of the abovementioned services by Industrial Securities (Shenzhen) to the Company are HK$59 million, HK$94 million and HK$145 million for each of the three years ending 31 December 2024, respectively.

For the year ended 31 December 2023, the Group incurred a consultancy service fee of HK$19,133,840 to Industrial Securities (Shenzhen).

The relevant pricing policy and guideline stated in the circular of the Company dated 30 November 2021 have been complied with when determining the transaction price and terms. For the year ended 31 December 2023, Industrial Securities (Hong Kong) Financial Holdings Limited, as the controlling shareholder of the Company, holds 56.30% interest of the Company. Industrial Securities (Hong Kong) Financial Holdings Limited holds 100% interest of Industrial Securities (Shenzhen). Therefore, Industrial Securities (Hong Kong) Financial Holdings Limited is a connected person to the Company and transactions between the Company and the subsidiaries and/or associates of Industrial Securities (Hong Kong) Financial Holdings Limited constitute connected transactions of the Company under the Listing Rules.

On 3 November 2021, the Company and Industrial Securities entered into the master agreement, pursuant to which the Group conditionally agreed that it will provide the investment management: (i) establishment of funds in Hong Kong for the Industrial Securities Group; and (ii) investment management services in relation to such funds, including but not limited to the provision of financial analysis, asset allocation, and various kinds of ancillary consultancy and investment management services, and investment advisory services in relation to the funds established and/or managed by the Industrial Securities Group in the PRC. Such services include but not limited to the provision of financial analysis, asset allocation, and various kinds of ancillary consultancy services to the Industrial Securities Group, for a term of three years from 1 January 2022 to 31 December 2024. The proposed cap amounts for the provision of the abovementioned investment management service by the Company to the Industrial Securities Group are HK$37 million, HK$75 million and HK$112 million for each of the three years ending 31 December 2024, respectively. The proposed cap amounts for the provision of the abovementioned investment advisory services by the Company to the Industrial Securities Group are HK$20 million, HK$26 million and HK$30 million for each of the three years ending 31 December 2024, respectively.

For the year ended 31 December 2023, Industrial Securities did not incur any investment management services fee and investment advisory services fee.

The relevant pricing policy and guideline stated in the circular of the Company dated 30 November 2021 have been complied with when determining the transaction price and terms. Industrial Securities holds the entire issued share capital of Industrial Securities (Hong Kong) Financial Holdings Limited. Therefore, Industrial Securities is a controlling shareholder of the Company. As such, Industrial Securities is a connected person of the Company and the transactions contemplated under the aforesaid master agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2023 and confirmed that they were entered into in the ordinary and usual course of business of the Group on normal commercial terms and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged the Company's auditor to perform certain procedures in order to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Save as disclosed above under Continuing Connected Transactions, the Company confirms that the signing and execution of the specific agreements under the Continuing Connected Transactions for the Year have been subject to the pricing principles of such continuing connected transactions.

The Company confirms that the related party transactions are not classified as defined in Chapter 14A of the Listing Rules in relation to the Connected Transactions or the Continuing Connected Transactions or are fully exempt, as the case may be, and have complied with Chapter 14A of the Listing Rules Disclosure requirements.

Details of the related party transactions during the Year are set out in note 43 to the consolidated financial statements.

DEED OF NON-COMPETITION

On 28 September 2016, Industrial Securities, Industrial Securities (Hong Kong) Financial Holdings Limited and China Industrial Securities International Holdings Limited (the "Controlling Shareholders") entered into a deed of non-competition (the "Deed of Non-Competition") in favour of the Company (for itself and for the benefit of each member of the Group). Pursuant to the Deed of Non– Competition, during the period that the Deed of Non-Competition remains effective, each of the Controlling Shareholders irrevocably and unconditionally undertakes with the Company (for itself and for the benefit of each member of the Group) that it shall not, and shall procure its associates or companies controlled by it (other than members of the Group) not to, directly or indirectly engage, participate in or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group in Hong Kong or any other area in which the Group carries on business, save for the holding of not more than 5% shareholding interests (individually or with its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with its associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Controlling Shareholders (individually or with its associates).

On 8 May 2019, China Industrial Securities International Holdings Limited transferred all its interests in the Company to Industrial Securities (Hong Kong) Financial Holdings Limited. China Industrial Securities International Holdings Limited is no longer the Controlling Shareholder of the Company while Industrial Securities and Industrial Securities (Hong Kong) Financial Holdings Limited are still the Controlling Shareholders of the Company.

During the Year, Industrial Securities and Industrial Securities (Hong Kong) Financial Holdings Limited have confirmed in writing to the Company of their compliance with the Deed of Non-Competition, and the independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Controlling Shareholders.

DONATIONS

During the Year, the Group made charitable donations of approximately HK$10,000 (2022: HK$19,600).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Tuesday, 7 May 2024 to Friday, 10 May 2024, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 May 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the provisions of the Companies Law of the Cayman Islands, each Director, or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director, or other officer of the Company. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year in respect of any legal liabilities which may be assumed by the Directors and officers in the execution and discharge of their duties or in relation thereto.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL POLICY

The Group emphasizes the importance of energy conservation and environmental protection as part of its corporate culture and encourages its employees to minimise the use of paper by promoting digitalisation of documents and better use of waste paper. The Group has also participated in a carbon reduction program by replacing all traditional fluorescent lamps with energy-saving lamps within the working area. Details of the relevant policies are set out in the Environment, Social and Governance Report to be issued by the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, there has been a sufficient public float of the issued Shares as required under the Listing Rules (i.e. at 25% of the issued Shares in public hands) throughout the year ended 31 December 2023 and up to the date of this report.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2023 have been reviewed by the audit committee of the Company.

AUDITOR

KPMG will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

The financial statements for the Year of the Group have been audited by KPMG.

On behalf of the Board

Xiong Bo
Chairman

Hong Kong, 25 March 2024

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in the best interest of the shareholders of the Company (the "Shareholders"). The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules. During the Year, the Company has complied with the code provisions of the CG Code except for the following deviation:

Code provision of C.1.6 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors should, inter alia, attend general meetings. Due to other business engagement, Mr. Qin Shuo, the independent non-executive Director did not attend the extraordinary general meeting of the Company held on 24 October 2023. The other independent non-executive Directors and non-executive Director were present at the above general meeting to enable the Board to gain and develop a balanced understanding of the views of the Shareholders.

BOARD OF DIRECTORS

Responsibilities

The Board is collectively responsible for the long-term success of the Company. Its key responsibilities include providing leadership and supervision to the management with a view to protecting the Shareholders' interests and enhancing Shareholders' long-term value. The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee of the Company (the "Audit Committee"), the remuneration committee of the Company (the "Remuneration Committee") and the nomination committee of the Company (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

The Board has established the Group's purpose, values and strategies and was satisfied that they are aligned with the Group's culture. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instil and continually reinforce across the Company's values of "acting lawfully, ethically and responsibly".

The Group strives to maintain high standards of business ethics and corporate governance across its business activities and operations. All the employees are required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in the Group's Staff Handbook. Staff trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

The Group is devoted to nurturing harmonious, healthy, warm and positive corporate culture through various activities such as team building in order to improve the employee's sense of commitment and emotional engagement with the Group's mission. This sets the tone for building a strong and productive workforce that attracts, develops, and retains the best talent and produces the highest quality work.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Composition

As at the date of this report, the Board comprises of five Directors including one non-executive Director, one executive Director, and three independent non-executive Directors.

Non-executive Director

Mr. Xiong Bo *(Chairman)*

Executive Director

Ms. Zhang Chunjuan *(Chief Executive Officer)*

Independent non-executive Directors

Ms. Hong Ying
Mr. Tian Li
Mr. Qin Shuo

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "biographies of directors and senior management" of this report.

BOARD MEETINGS

The Board meets regularly at least four times each year, and more frequently as the needs of the business demand, to formulate overall strategy, monitor business development as well as the financial performance of the Group. The Board has delegated certain duties and authorities to the management for the day-to-day management of the Group's operation.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board meetings, reasonable notices are given. The agenda together with all relevant meeting materials are sent to all Directors at least 3 days before each regular board meetings and at agreed periods for other meetings to enable them to make informed decisions with adequate information. The Board and each Director also have direct and independent access to the management whenever necessary.

All minutes of Board meetings and general meetings are kept by the company secretary and are open for inspection at reasonable time on reasonable notice by any Director. Every Director is entitled to have access to Board papers and related materials and access to the advice and services of the company secretary. In addition, the Company enables the Directors, in discharge of their duties, to seek independent professional advice in appropriate circumstances.

During the Year, the Directors' attendance at the Board meetings and general meetings is set out as follows:

	Number of meetings attended/held		
Name	**Board Meetings**[1]	**Annual General Meeting**[1]	**Extraordinary General Meeting**[1]
Non-executive Director:			
Mr. Hu Pingsheng *(Chairman)* (Resigned on 4 March 2024)[2]	7/7	1/1	1/1
Executive Directors:			
Ms. Zhang Chunjuan *(Chief Executive Officer)*[3]	7/7	1/1	1/1
Mr. Cai Junzheng *(Chief Executive Officer)* (Resigned on 18 January 2024)[3]	7/7	1/1	1/1
Ms. Zeng Yanxia[4] (Retired on 10 May 2023)	2/2	1/1	0/0

Name	Board Meetings[1]	Annual General Meeting[1]	Extraordinary General Meeting[1]
	Number of meetings attended/held		
Independent Non-executive Directors:			
Ms. Hong Ying	7/7	1/1	1/1
Mr. Tian Li	7/7	1/1	1/1
Mr. Qin Shuo	7/7	1/1	0/1

Notes:

(1) The denominator represents the number of Board meetings and general meetings held during the tenure of each Director in the financial year ended 31 December 2023.

(2) Mr. Hu Pingsheng resigned as non-executive Director and chairman on 4 March 2024.

(3) Ms. Zhang Chunjuan was appointed as chief executive officer on 18 January 2024. Mr. Cai Junzheng resigned as executive Director and chief executive officer on 18 January 2024.

(4) Ms. Zeng Yanxia retired as executive Director on 10 May 2023 and did not offer herself for re-election

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in the code provision A.2.1 of the CG Code including:

- develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Policy") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board will review such objectives from time to time to ensure their appropriateness and the progress made towards achieving those objectives. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board.

The Board recognizes the importance and benefits of gender diversity at the Board level. As at the date of this report, the Board comprises five Directors, two of which are female.

During the Year, the diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group. 60% of Directors and 51% of total workforce of the Group were male. 40% of Directors and 49% of total workforce of the Group were female.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Hu Pingsheng resigned as the chairman on 4 March 2024 and Mr. Cai Junzheng resigned as the chief executive officer on 18 January 2024. Currently, Mr. Xiong Bo is the chairman and Ms. Zhang Chunjuan is the chief executive officer. There is a clear division of responsibilities between the chairman and the chief executive officer in that the chairman bears primary responsibility for the effective functioning of the Board, ensuring the establishment of business strategies and sound corporate governance practices of the Group, while the chief executive officer bears executive responsibility for implementing the Board's approved strategies and policies and supervising the Group's day-to-day business operations.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills.

During the Year, a record of the training attended/received by each of the Directors, is set out as follows:

Name	**Type of training**
Non-executive Director:	
Mr. Hu Pingsheng (Resigned on 4 March 2024)	A & B
Executive Directors:	
Mr. Zhang Chunjuan	A & B
Mr. Cai Junzheng (Resigned on 18 January 2024)	A & B
Ms. Zeng Yanxia (Retired on 10 May 2023)	A & B
Independent Non-executive Directors:	
Ms. Hong Ying	A & B
Mr. Tian Li	A & B
Mr. Qin Shuo	A & B

Notes:

A: attending courses/seminars/conferences
B: reading journals/written training materials/updates

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association, a person may be appointed as a Director by the shareholders in general meeting. In addition, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that each Director shall be subject to retirement at least once every three years. The non-executive Directors and each of the independent non-executive Directors were appointed for a term of three years and subject to retirement by rotation (at least once every three years) and re-election in accordance with the Articles.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the Year.

REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

The remuneration by band for the Year of the senior management is set out below:

Remuneration bands	**Number of individuals**
HK$3,000,001 to HK$4,000,000	2

Details of the emolument of the Directors and Chief Executive are set out in note 11 to the consolidated financial statements.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor is set out as follows:

Services rendered	**Fee paid/payable HK$**
Audit services	1,950,000
Non-audit services	
– Regulatory advisory services	600,000
– Issuance of comfort letter for bond issuance	420,000
– Tax consultation services	122,000

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the code provisions under the CG Code. The Audit Committee currently comprises a non-executive Director, namely Mr. Xiong Bo, and two independent non-executive Directors, namely Ms. Hong Ying and Mr. Tian Li. The chairlady of the Audit Committee is Ms. Hong Ying.

The primary duties of the Audit Committee include the following:

- to review and supervise financial reporting process;
- to nominate and monitor external auditor; and
- to oversee the risk management and internal control procedures of the Company.

During the Year, the major work performed by the Audit Committee included:

(i) reviewed the Group's annual results and 2022 Annual Report and the Group's interim results and 2023 Interim Report and made recommendations to the Board for approval;

(ii) reviewed and discussed with the auditor to ensure that the Group's financial statements had been prepared in accordance with the accounting principles

(iii) reviewed the audit fees and the fees for non-audit services payable to the independent auditor;

(iv) approved the audit plan for the Year; and

(v) reviewed the financial reporting system, risk management and the internal control system of the Group.

During the Year, the members' attendance of the meetings of the Audit Committee is set out as follows:

Name	**Number of meetings of the Audit Committee attended/held***
Ms. Hong Ying *(Chairlady)*	3/3
Mr. Hu Pingsheng (resigned on 4 March 2024)	3/3
Mr. Tian Li	3/3

* The denominator represents the number of the Audit Committee meetings held during the tenure of each Director in the financial year ended 31 December 2023.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with the Listing Rules and the code provisions under the CG Code. The Remuneration Committee currently comprises one non-executive Director, namely Mr. Xiong Bo, and two independent non-executive Directors, namely Mr. Tian Li and Mr. Qin Shuo. Mr. Tian Li is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include the following:

- to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company; and

- to ensure that none of the Directors determine their own remuneration.

During the Year, the major work performed by the Remuneration Committee included:

(i) reviewed the remuneration packages of the Directors; and

(ii) made recommendation to the Board on the amendment of remuneration policy of Directors and senior management

During the Year, the member's attendance of the meetings of the Remuneration Committee is set out as follows:

Name	**Number of meetings of the Remuneration Committee attended/held***
Mr. Tian Li *(Chairman)*	2/2
Mr. Hu Pingsheng (resigned on 4 March 2024)	2/2
Mr. Qin Shuo	2/2

* The denominator represents the number of the Remuneration Committee meetings held during the tenure of each Director in the financial year ended 31 December 2023.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the Listing Rules and the code provisions under the CG Code. The Nomination Committee currently comprises one non-executive Director, namely Mr. Xiong Bo, and two independent non-executive Directors, namely Mr. Tian Li and Mr. Qin Shuo. Mr. Xiong Bo is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include the following:

- to review the structure, size and composition of the Board annually;
- to formulate nomination policy and implement nomination policy;
- to identify individuals suitably qualified to become members of the Board;
- to assess the independence of the independent non-executive Directors; and
- to make recommendations to the Board on relevant matters relating to appointments of Directors.

During the Year, the major work performed by the Nomination Committee included:

(i) reviewed the structure, size and composition of the Board; and

(ii) assessed the independence of the independent non-executive Directors.

During the Year, the member's attendance of the meetings of the Nomination Committee is set out as follows:

Name	Number of meetings of the Nomination Committee attended/held*
Mr. Hu Pingsheng (resigned on 4 March 2024)	1/1
Mr. Tian Li	1/1
Mr. Qin Shuo	1/1

* The denominator represents the number of the Nomination Committee meetings held during the tenure of each Director in the financial year ended 31 December 2023.

NOMINATION POLICY

Objective

The Nomination Committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and its shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Group. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the then current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

Selection criteria

The Nomination Committee shall recommend candidates with reference to the following factors:

- Candidate shall not breach any applicable laws or regulations; nor have any conflicts of interests affecting proper execution of duties of a director;
- Whether skills, experience, independence and knowledge of the candidate is balanced;
- Candidate must be willing and able to devote sufficient time to the affairs of the Company and be diligent in accomplishing duties as a director and/or member of Board committee (if applicable); and
- Board diversity in various aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc.

The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination procedures

Appointment of Directors

(i) The Nomination Committee shall identify candidates as Directors with reference to advice from the existing directors and senior management and/or recommendation from shareholders.

(ii) The Nomination Committee shall review qualifications of candidates and determine candidates most relevant to requirement and expected criteria of the Board.

(iii) The Nomination Committee shall report to the Board on assessment and selection process of candidates.

(iv) The Nomination Committee shall recommend candidates to the Board.

(v) The Board shall set out formal candidate list for election on general meetings to fill casual vacancies.

Re-election of Directors

(i) The Nomination Committee shall consider each retiring Director after due consideration of the nomination policy, board diversity policy and the CG Code and assess the independence of each retiring independent non-executive Director.

(ii) The Nomination Committee shall make recommendation to the Board.

(iii) The Board shall consider each retiring Director recommended by the Nomination Committee after due consideration of the nomination policy, board diversity policy and the CG Code.

(iv) The Board shall recommend retiring directors to be re-elected on general meetings in accordance with the Articles of Association of the Company.

(v) The shareholders shall approve re-election of directors on general meetings.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements, appropriate accounting policies and standards are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for reviewing the effectiveness of risk management and internal control systems of the Group. The Board is committed to implementing an effective and sound risk management and internal control systems to safeguard the interest of the Shareholders and the Group's assets. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board is responsible for overseeing the risk appetite of the Group including determining the Group's acceptable level of risk, and review from time to time the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, risk management, financial reporting functions, as well as environmental, social and governance performance and reporting. The Group discloses inside information to the public as soon as reasonably practicable in accordance with the requirements under the Listing Rules and the Securities and Futures Ordinance (Cap. 571). Before full disclosure of the inside information to the public, the Group will ensure that the information is kept strictly confidential. The Group also strives to present information in a clear and balanced way, which requires equal disclosure of both positive and negative facts, and to ensure that information contained in all corporate communications is not false or misleading as to a material fact, or false or misleading through the omission of a material fact.

The Company has established whistle-blowing policy to provide reporting channels and guidance for employees and related third parties who have business dealings with the Group (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about any suspected misconduct or malpractice within the Company. The Audit Committee, delegated by the Board, shall ensure that proper arrangements are in place for fair and independent investigation of any concerns raised, appropriate follow up actions are taken and other recommendations are provided, if thinks fit. In addition, the Company has established anti-corruption policy to outline the Group's zero-tolerance stance against bribery and corruption and assists employees in recognising circumstances that may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance where necessary or report any reasonably suspected case of corruption or any attempts thereof, to the management through an appropriate reporting channel.

During the Year, the Board reviewed the effectiveness of the risk management and internal control systems of the Group through the Audit Committee meeting. The Board considered the Group's internal control system as adequate and effective and that the Company has complied with the code provisions of the CG Code.

COMPANY SECRETARY

Ms. Tsang Wing Man ("Ms. Tsang"), a representative from an external secretarial services provider, as the company secretary of the Company. The primary contact person with the company secretary of the Company is Ms. Zhang Chunjuan, executive Director and chief executive officer of the Company. Ms. Tsang is an associate member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. She has experience in company secretarial matters. Ms. Tsang has confirmed that she has taken no less than 15 hours of relevant professional training pursuant to Rule 3.29 of the Listing Rules.

INTERNAL AUDIT

The Company has an independent internal audit team, which is assigned with the task to perform regular reviews an annual basis on internal control system of the Group in respect of operational, financial and compliance aspects and will alert management on the audit findings or irregularities, if any, and advise them on the implementation of necessary steps and actions to enhance the internal controls of the Group.

INVESTOR RELATIONS

The Board recognises the importance of good communications with its shareholders and investors. The Company strives to ensure that all shareholders have ready, equal and timely access to all publicly available information of the Company that is accurate, comprehensible and informative. The shareholders' communication policy sets out the framework in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

The Company updates its Shareholders on its latest business developments and financial performance through its annual, and interim reports. The Company's website (www.xyzq.com.hk) provides an effective communication platform to the public and the Shareholders.

COMMUNICATION WITH SHAREHOLDERS

The Company's Shareholders' Communication Policy (available on the website of the Company) sets out the strategies, practices and commitment for maintaining ongoing and effective communication with Shareholders, both individual and institutional, and in appropriate circumstances, the investment community at large so as to enable them to engage with the Company and exercise their rights as shareholders in an informed manner. The Company endeavours to maintain an ongoing dialogue with the Shareholders and in particular, through annual general meeting (the "AGM") and extraordinary general meeting (the "EGM"). The AGM and EGM provide a useful forum for the Shareholders to exchange views with the Board. The Chairman as well as chairlady/chairman of the Audit Committee, Remuneration Committee and Nomination Committee are pleased to answer the enquires raised by the Shareholders. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors. All the announcements and circulars are published on the Company's website (www.xyzq.com.hk) and on the Stock Exchange's website (www.hkexnews.hk).

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy"). The Board endeavors to strike a balance between the interests of the Shareholders and prudent capital management with a sustainable Dividend Policy. Under the Dividend Policy, the total amount of dividend of the Company will be no less than 40% of the net profit attributable to owners of the Company during the year, subject to the following factors:

- the Group's current and future operations, liquidity position and capital requirements;
- restrictions under applicable laws and regulations;
- restrictions on payment of dividends that may be imposed by the Group's lenders;
- general economic conditions, business cycle of the Group's control business and other internal or external factors that may have an impact on the business, financial performance and position of the Company; and
- any other factors that the Board may consider relevant.

The Board will review the Dividend Policy as appropriate from time to time.

CONSTITUTIONAL DOCUMENTS

During the Year, there was no significant change in consitutional documents of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue raised at a general meeting, including the election of individual Directors. All resolutions put forward at a general meeting will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for the Shareholders to Convene Extraordinary General Meeting

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM is held each year and at the place as determined by the Board. Each general meeting, other than the AGM, shall be called an extraordinary general meeting (the "EGM").

Pursuant to the Articles of Association, the Shareholders, holding at the date of deposit of the written requisition to the Board or the Company Secretary not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, may require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of such deposit, the requisitionists may do so themselves.

The requisition must state the purposes of the EGM and must be signed by the requisitionists and deposited to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Procedures for Putting Forward Proposals at General Meetings by Shareholders

If a Shareholder wishes to put forward proposals at the AGM/EGM which is to be held, such Shareholder should submit a written notice of the proposal with his/her detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Procedures for the Shareholders to Put their Enquiries to the Board

The enquiries must be in writing with the detailed contact information of the requisitionists and deposited to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or by email to ir@xyzq.com.hk.

Procedures for the Shareholders to Propose a Person for Election as a Director

Pursuant to the Articles of Association, a written notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting of the Company appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for Shareholders to propose a person for election as a Director are posted on the Company's website.

INDEPENDENT AUDITOR'S REPORT

KPMG

To the shareholders of China Industrial Securities International Financial Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Industrial Securities International Financial Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 48 to 155, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment for margin loans	
Refer to note 22 to the consolidated financial statements and the accounting policies on pages 67 to 71.	
The Key Audit Matter	**How the matter was addressed in our audit**
At 31 December 2023, the gross amount of margin loans and its related impairment allowance amounted to HK$1,386 million (2022: HK$1,448 million) and HK$917 million (2022: HK$917 million) respectively. The net carrying amount represented 3% (2022: 4%) of the Group's total assets. Management exercises significant judgement in determining the expected credit loss ("ECL") of margin loans. The ECL is subject to a number of key parameters and assumptions, including the classification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. Margin loans is categorized as Stage 3 when it is credit-impaired. Management measures lifetime ECL of credit-impaired margin loans by considering various factors including realization value of collateral, historical loss rate and any other factors such as remedies available for recovery and the financial situation of the borrower. We identified the impairment assessment for margin loans as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement.	Our audit procedures for the impairment assessment for margin loans included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal controls over the approval, recording and monitoring of margin loans and collateral shortfalls and the ECL assessment procedures. For the key underlying systems used for the processing of transactions in relation to margin loans, this included involving our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant key internal controls over access to these systems and controls over data and change management; • understanding and assessing the established policies and procedures on impairment assessment including the staging criteria, application of assumptions and inputs into the model; • evaluating, with the assistance of our internal valuation specialists, the reasonableness and appropriateness of the ECL model and the critical assumptions, inputs and parameters used in the model; • assessing the valuation of collateral held for a sample of margin loan balances with publicly available market prices; • assessing the existence of collateral by comparing a sample of securities held as collateral as extracted from the Group's records with independent confirmations or third party statements from brokers or clearing houses; and • assessing the existence and quality of collateral, guarantees or other forms of credit support in evaluating the adequacy of impairment allowance made by the Group for material margin loans classified as Stage 3.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ko Sze Man.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023 HK$**	2022 HK$
Commission and fee income	*5*	**166,897,751**	223,210,519
Interest revenue	*5*	**121,850,597**	49,393,205
Net trading and investment income	*5*	**254,606,269**	(14,599,536)
Total revenue	*5*	**543,354,617**	258,004,188
Other income	*5*	**191,738,746**	116,493,723
Finance costs	*7*	**(288,901,605)**	(182,003,396)
Commission and fee expenses	*8*	**(39,504,244)**	(62,899,895)
Staff costs	*9*	**(196,919,115)**	(160,103,290)
Other operating expenses		**(146,300,880)**	(163,018,113)
Impairment losses on financial assets	*9*	**(8,416,652)**	(82,462,673)
Other gains or losses	*9*	**18,106,895**	(29,294,055)
Profit/(loss) before taxation	*9*	**73,157,762**	(305,283,511)
Taxation	*10*	**(18,593,479)**	7,881,095
Profit/(loss) for the year		**54,564,283**	(297,402,416)
Attributable to:			
Holders of ordinary shares of the Company		**54,564,283**	(297,402,416)
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
Basic (expressed in HKD)	*13*	**0.0136**	(0.0744)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$	2022 HK$
Profit/(loss) for the year	**54,564,283**	(297,402,416)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
– Equity instruments designated at fair value through other comprehensive income		
– Changes in fair value	**56,980,935**	(67,928,321)
– Income tax impact	**(1,723,515)**	–
Items that may be reclassified subsequently to profit or loss:		
– Debt investments at fair value through other comprehensive income		
– Changes in fair value	**25,365,150**	(26,989,533)
– Reclassification adjustment to profit or loss on disposal	**(7,845,872)**	–
– Income tax impact	**1,723,515**	–
Other comprehensive income for the year, net of tax	**74,500,213**	(94,917,854)
Total comprehensive income for the year	**129,064,496**	(392,320,270)
Attributable to:		
Holder of ordinary shares of the Company	**129,064,496**	(392,320,270)

The notes on pages 55 to 155 form part of these financial statements. Details of dividends declared for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 HK$	2022 HK$
Non-current assets			
Property and equipment	*14*	**56,906,975**	33,462,873
Intangible assets	*15*	**11,248,970**	11,726,329
Financial assets at fair value through profit or loss	*16*	**15,159,814**	24,726,511
Debt investments at amortised cost	*18*	**278,122,966**	214,953,954
Reverse repurchase agreements	*19*	**93,288,805**	92,947,167
Statutory deposits	*20*	**12,748,741**	17,395,812
Deferred tax assets	*28*	**120,804,400**	133,464,944
Deposits, other receivables and prepayments	*21*	**6,436,948**	14,858,045
		594,717,619	543,535,635
Current assets			
Accounts receivable	*22*	**1,010,886,882**	1,167,456,618
Financial assets at fair value through profit or loss	*16*	**4,919,759,113**	2,818,655,977
Financial assets at fair value through other comprehensive income	*17*	**4,385,085,302**	2,174,690,074
Statutory deposits	*20*	**10,404,961**	16,785,992
Deposits, other receivables and prepayments	*21*	**317,850,920**	169,308,298
Tax receivable		**1,808,472**	3,707,080
Bank balances – trust accounts	*23*	**3,419,362,123**	2,874,093,301
Bank balances – general accounts and cash	*23*	**1,892,147,583**	2,703,948,516
		15,957,305,356	11,928,645,856
Current liabilities			
Accounts payable	*26*	**3,510,257,387**	3,150,506,807
Accruals and other payables	*27*	**24,026,268**	32,034,528
Amount due to a related party	*24*	**4,723,189**	1,316,280
Contract liabilities		**4,308,726**	5,356,160
Tax payable		**6,274,228**	695,364
Financial liabilities at fair value through profit or loss	*25*	**30,659,837**	50,926,422
Repurchase agreements	*29*	**3,341,795,173**	1,958,527,621
Bank borrowings	*30*	**2,184,584,146**	1,000,907,152
Notes	*31*	**168,281,769**	–
Bonds	*31*	**2,087,232,051**	–
Lease liabilities	*32*	**19,349,190**	16,305,095
Other liabilities	*45*	**140,274,408**	180,720,209
		11,521,766,372	6,397,295,638
Net current assets		**4,435,538,984**	5,531,350,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 HK$	2022 HK$
Non-current liabilities			
Repurchase agreements	*29*	**876,991,121**	–
Bonds	*31*	**–**	2,079,992,337
Deferred tax liabilities	*28*	**15,814**	15,814
Lease liabilities	*32*	**29,307,470**	–
		906,314,405	2,080,008,151
Net assets		**4,123,942,198**	3,994,877,702
Equity			
Share capital	*33*	**400,000,000**	400,000,000
Share premium		**3,379,895,424**	3,379,895,424
Accumulated loss		**(1,102,906,837)**	(1,144,119,533)
Other reserve		**11,577,844**	11,577,844
Capital reserve	*34*	**442,441,821**	442,441,821
Fair value reserve		**(7,066,054)**	(94,917,854)
Equity attributable to holders of the ordinary shares		**3,123,942,198**	2,994,877,702
Equity attributable to holders of other equity instruments	*35*	**1,000,000,000**	1,000,000,000
Total equity		**4,123,942,198**	3,994,877,702

The consolidated financial statements on pages 48 to 155 were approved and authorised for issue by the Board of Directors on 25 March 2024 and are signed on its behalf by:

Xiong Bo
DIRECTOR

Zhang Chunjuan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to holders of ordinary shares								
	Share capital HK$ *(Note 33)*	Share premium HK$	Capital reserve HK$ *(Note 34)*	Fair value reserve HK$	Other reserve HK$	Accumulated loss HK$	Total HK$	Other equity instruments HK$ *(Note 35)*	Total equity HK$
At 1 January 2022	400,000,000	3,379,895,424	442,441,821	–	11,577,844	(846,717,117)	3,387,197,972	1,000,000,000	4,387,197,972
Loss for the year	–	–	–	–	–	(297,402,416)	(297,402,416)	–	(297,402,416)
Other comprehensive income for the year	–	–	–	(94,917,854)	–	–	(94,917,854)	–	(94,917,854)
Total comprehensive income for the year	–	–	–	(94,917,854)	–	(297,402,416)	(392,320,270)	–	(392,320,270)
At 31 December 2022 and 1 January 2023	400,000,000	3,379,895,424	442,441,821	(94,917,854)	11,577,844	(1,144,119,533)	2,994,877,702	1,000,000,000	3,994,877,702
Profit for the year	–	–	–	–	–	54,564,283	54,564,283	–	54,564,283
Other comprehensive income for the year	–	–	–	74,500,213	–	–	74,500,213	–	74,500,213
Total comprehensive income for the year	–	–	–	74,500,213	–	54,564,283	129,064,496	–	129,064,496
Transfer of fair value reserve to accumulated loss upon disposal *(note 17)*	–	–	–	13,351,587	–	(13,351,587)	–	–	–
At 31 December 2023	400,000,000	3,379,895,424	442,441,821	(7,066,054)	11,577,844	(1,102,906,837)	3,123,942,198	1,000,000,000	4,123,942,198

The notes on pages 55 to 155 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK$	2022 HK$
OPERATING ACTIVITIES			
Profit/(loss) before taxation		**73,157,762**	(305,283,511)
Adjustments for:			
Finance costs	*7*	**288,901,605**	182,003,396
Depreciation of property and equipment	*9*	**34,963,591**	51,416,860
Amortisation of intangible assets	*9*	**6,488,845**	4,549,535
Impairment losses on financial assets	*9*	**8,416,652**	82,462,673
Fair value changes of interest held by third-party unitholders/ shareholders of consolidated investment funds	*9*	**(4,586,515)**	(13,641,539)
Losses on disposal of property and equipment	*9*	**–**	30,723
Net gain on disposal of debt investments at fair value through other comprehensive income	*5*	**(7,845,872)**	–
Dividend income and interest income from financial assets at fair value through other comprehensive income	*5*	**(187,844,938)**	(44,917,602)
Interest income from debt investments at amortised cost	*5*	**(9,739,143)**	(3,919,843)
Operating cash flows before movements in working capital		**201,911,987**	(47,299,308)
Decrease in statutory deposits		**11,028,102**	15,345,359
Increase in deposits, other receivables and prepayments		**(140,121,525)**	(30,217,006)
(Increase)/decrease in financial assets at fair value through profit or loss		**(2,091,536,439)**	2,090,162,548
Decrease in accounts receivable		**149,289,302**	268,845,457
(Increase)/decrease in reverse repurchase agreements		**(193,602)**	117,872,896
(Increase)/decrease in bank balances – trust accounts		**(545,616,193)**	1,394,316,441
Increase in time deposits		**(127,605,480)**	–
Increase/(decrease) in accounts payable		**359,750,580**	(1,635,672,165)
Decrease in accruals and other payables		**(8,008,260)**	(71,737,893)
Decrease in financial liabilities at fair value through profit or loss		**(20,266,585)**	(14,508,416)
Increase/(decrease) in repurchase agreements		**2,206,702,954**	(19,128,271)
(Decrease)/increase in contract liabilities		**(1,047,434)**	306,528
Increase/(decrease) in amount due to a related party		**3,406,909**	(3,244,046)
Cash (used in)/generated from operations		**(2,305,684)**	2,065,042,124
Tax refund/(paid)		**1,544,537**	(2,792,112)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(761,147)**	2,062,250,012
INVESTING ACTIVITIES			
Dividends and interest received from investments		**169,916,867**	16,117,449
Purchase of property and equipment	*14*	**(3,198,047)**	(8,908,074)
Purchase of intangible assets	*15*	**(6,011,486)**	(8,616,974)
Purchase of financial assets at fair value through other comprehensive income		**(2,968,848,349)**	(2,241,850,339)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**864,137,527**	–
Purchase of debt investments at amortised cost		**(59,777,002)**	(210,335,211)
Deemed acquisition of a consolidated structured entity		**–**	1,514,669
NET CASH USED IN INVESTING ACTIVITIES		**(2,003,780,490)**	(2,452,078,480)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK$	2022 HK$
FINANCING ACTIVITIES	*42*		
Interest paid		**(221,856,314)**	(169,767,313)
Bank borrowings raised		**6,810,000,000**	1,490,000,000
Repayments of bank borrowings		**(5,630,000,000)**	(1,020,000,000)
Proceeds from issue of notes		**287,338,440**	–
Redemption of notes		**(120,094,140)**	–
Repurchase of bonds		**–**	(274,774,500)
Capital element of lease rentals paid		**(22,858,081)**	(36,687,348)
Interest element of lease rentals paid		**(1,535,395)**	(1,451,946)
Withdrawals from third-party unitholders/shareholders of consolidated investment funds		**(35,859,286)**	(51,646,489)
Repayment of loan from the immediate holding company		**–**	(2,300,852,500)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**1,065,135,224**	(2,365,180,096)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(939,406,413)**	(2,755,008,564)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,703,948,516**	5,458,957,080
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,764,542,103**	2,703,948,516
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances – general accounts and cash	*23*	**1,343,186,673**	1,547,079,843
Time deposits with original maturity of less than three months when acquired	*23*	**421,355,430**	1,156,868,673
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,764,542,103**	2,703,948,516
Time deposits with original maturity more than three months but less than one year when acquired	*23*	**127,605,480**	–
Bank balances- general accounts and cash as stated in the consolidated statement of financial position		**1,892,147,583**	2,703,948,516
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE			
Interest received		**328,612,320**	270,031,879
Dividend received		**10,536,049**	7,705,174

The notes on pages 55 to 155 form part of these financial statements.

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 21 July 2015. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investments in debt and equity securities (see note 2(j));
- derivative financial instruments (see note 2(j)); and
- net assets attributable to third-party unit holder/shareholders' interests in consolidated investment funds (see note 2(j)).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, but possesses the practical ability to direct the relevant activities of the investee, the Group considers all relevant facts and circumstances in assessing whether or not the Group has power over the investee, including:

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

When the Group, which is acting as a fund manager, manages and has an investment in a fund, it may determine that its decision-making powers over the relevant activities of the fund are exercised in the capacity of an agent of the investors as a group and, therefore, that it does not control the fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether it is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Different weightings shall be applied by the Group to each of the factors on the basis of particular facts and circumstances unless a single party holds substantive rights to remove the decision maker (removal rights) and can remove the decision maker without cause.

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

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

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

(d) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity. Consequently, investment funds managed by the Group are considered as "structured entities".

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Structured entities *(Continued)*

The Group serves as the investment manager of investment funds. These investment funds invest mainly in equities, debt securities and cash and cash equivalents. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such investment funds, with control determined based on an analysis of the guidance in HKFRS 10 *Consolidated financial statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units/shares in such investment funds for cash. These are presented as "Third-party interests in consolidated structured entities" within other liabilities in the consolidated statement of financial position, if any.

(e) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Revenue from contracts with customers *(Continued)*

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

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

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

Details of the Group's performance obligations for revenue for contracts with customers resulting from application of HKFRS 15 are set out in note 5.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand- alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

Output method

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

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Revenue from contracts with customers *(Continued)*

Variable consideration *(Continued)*

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

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Commission income arising from broking business of securities, and futures and option contracts dealings is recorded as income on a trade-date basis;

(ii) Commission income arising from insurance brokerage business is recognised as income in accordance with the terms of underlying agreements when the relevant significant acts have been completed, generally at the effective date of the applicable insurance policies;

(iii) Corporate advisory fee and sponsor fee, asset management fee, investment advisory fee, custodian and handling fee income and arrangement fee income are recognised when the Group has fulfilled its obligations under the respective contracts. Depending on the nature of the services and the contract terms, corporate advisory fee and sponsor fee are recognised in profit or loss over time using a method that depicts the Group's performance, or at point in time when the service is completed;

(iv) Commission income arising from placing, underwriting and sub-underwriting is recognised as income when the Group has fulfilled its obligations in accordance with the terms of the agreements;

(v) Realised profits or losses from financial assets/financial liabilities at fair value through profit or loss ("FVTPL") and derivatives are recognized on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses of financial assets/financial liabilities at FVTPL and derivatives are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments;

(vi) Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)); and

(vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Property and equipment

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of equipment, including right-of-use assets arising from leases of underlying equipment (see note 2(p)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvement	Over the lease term
Motor vehicles	12.5%
Furniture and fixtures	20%
Computer equipment	20% – 33.3%
Properties leased for own use	Over the lease term

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets *(Continued)*

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	3 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

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

(h) Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amounts individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Impairment losses on tangible and intangible assets *(Continued)*

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

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is classified as held for trading if:

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

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

(i) Amortised cost and interest income

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of fair value reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net trading and investment income" line item in profit or loss.

(iv) Financial assets at FVTPL

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including financial assets measured at amortised cost and FVTOCI, accounts receivable, reverse repurchase agreements, deposits and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for accounts receivable that result from transactions within the scope of HKFRS 15. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

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

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

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

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for secured margin loans where a shorter period of 30 days past due has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts receivable, reverse repurchase agreements, deposits and other receivables and bank balances are each assessed as a separate group);
- Past-due status; and
- External credit ratings where available.

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

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

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment loss in profit or loss by adjusting their carrying amount. For all other financial assets that are subject to ECL, the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the fair value reserve in relation to accumulated loss allowance.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(vi) Financial guarantee contracts held

Financial guarantee contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the original or modified terms of a debt instrument. A contract is classified as a financial guarantee contract when the following conditions are satisfied:

– The reference obligation is a debt instrument

– The holder is compensated only for a loss that it incurs

– The contract does not compensate the holder for more than the actual loss that it incurs.

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

– the guarantee is implicitly part of the contractual terms of the debt instrument;

– the guarantee is required by laws and regulations that govern the contract of the debt instrument;

– the guarantee is entered into at the same time as and in contemplation of the debt instrument; and

– the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial asset'.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Perpetual bonds issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company; and perpetual bonds issued includes no terms and arrangements that the bonds must or will alternatively be settled in the Company's own equity instruments. The Company classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. The interest on perpetual bonds is recognised as profit distribution at the time of declaration.

Financial liabilities at amortised cost

Financial liabilities not classified as at FVTPL (including amount due to a related party, accounts payable, bank borrowings, other borrowings, notes, repurchase agreements, contract liabilities, other liabilities, lease liabilities and other payables) are subsequently measured at amortised cost using the effective interest method.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds

A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability. The financial instrument is a financial liability even when the amount of cash or other financial assets is determined on the basis that has the potential to increase or decrease. The existence of an option for the holder to put the instrument back to the issuer for cash or another financial asset means that the puttable instrument meets the definition of a financial liability.

Net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds are determined based on the attributable shares or units of the residual assets of the consolidated investment fund after deducting the consolidated investment fund's other liabilities.

As at year end, such financial liability of net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds is presented as an "other liabilities" in the consolidated statement of financial position.

In the case of acquisition or disposals of such non-controlling interests in consolidated investment funds, any difference between the acquisition cost or sale price of these non-controlling interests and the carrying value of these non-controlling interests is recognised as an increase or decrease in a liability which would be reflected in the consolidated statement of profit or loss.

Derecognition/substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position and continue to be recognised as "financial assets at FVTPL". The proceeds from selling such assets are presented as "Repurchase agreements" in the consolidated statement of financial position. Repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Reverse repurchase agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "Reverse repurchase agreements" in the consolidated statement of financial position. Reverse repurchase agreements are measured at amortised cost as they are held for the collection of contractual cash flows which represent solely payments of principal and interest. Reverse repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Offsetting a financial asset and a financial liability

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

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(e)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 2(j).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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 asset to be recovered.

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle 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 each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where 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 (when the effect of the time value of money is material).

(p) Leased asset

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Leased asset *(Continued)*

As a lessee *(Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(h)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Employee benefits

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Segment reporting *(Continued)*

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of its customers. These client securities arising thereon are excluded from the consolidated financial statements, as they are not assets of the Group.

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of the regulated business activities. The Group has classified the "bank balances — trust and segregated accounts" within the current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

3. CHANGES IN ACCOUNTING POLICIES

(i) New and amended HKFRSs

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group.

- HKFRS 17, *Insurance Contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these new and amended HKFRSs have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date. In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit. To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability. This change in accounting policy did not have any material impact on the opening balance of equity at 1 January 2022, and the cash flows and earnings per share amounts for the year ended 31 December 2022. It also did not have a material impact on the company-level and consolidated statement of financial position as at 31 December 2022 and 31 December 2023.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Critical judgements in applying accounting policies

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

Measurement of ECL

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;

– Selecting appropriate models and assumptions for the measurement of ECL;

– Establishing the relative probability weightings of forward-looking scenarios.

Significant increase in credit risk

ECL of different financial assets is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined in note 40. A financial asset moves to Stage 2 when its credit risk has increased significantly since initial recognition, and it comes to Stage 3 when it is credit-impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of a financial asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information with significant judgements involved.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the appropriate model for each type of financial assets, as well as the assumptions used in these models. Please refer to note 40 for more details on ECL.

Key sources of estimation uncertainty

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

Fair value measurement of financial instruments

Financial assets at FVTPL amounting to HK$728,692,720 as at 31 December 2023 (2022: Financial assets at FVTPL amounting to HK$734,690,376) are measured at fair values with fair values being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 40 for further disclosures.

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

Key sources of estimation uncertainty *(Continued)*

Measurement of ECL

Impairment assessment under ECL for accounts receivable (except for secured margin loans)

The Group uses a provision matrix to calculate ECL for the accounts receivable (except for secured margin loans) that result from transactions within the scope of HKFRS 15. The provision rates are based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs and effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information is considered. In addition, accounts receivable with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL is disclosed in note 40.

Impairment assessment under ECL for financial assets at amortised cost other than accounts receivable (including debt investments at amortised cost, secured margin loans, reverse repurchase agreements, deposits, other receivables and bank balances) and debt investments at fair value through other comprehensive income

The impairment assessment under ECL for financial assets at amortised cost (including debt investments at amortised cost, secured margin loans, reverse repurchase agreements, deposits, other receivables and bank balances) and debt investments at fair value through other comprehensive income is an area that requires the use of models and assumptions about future economic conditions and the credit risk of the respective financial instruments.

(i) Inputs, assumptions and estimation techniques

ECL is the discounted product of expected future cash flows by using the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), of which PD and LGD are estimates based on significant management judgement.

(ii) Forward-looking information

In measuring ECL in accordance with HKFRS 9, it should consider forward-looking information. The calculation of ECL incorporates forward-looking information through the use of publicly available economic data and forecasts based on assumptions and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

Details of the impairment assessment of financial assets at amortised cost and debt investments at fair value through other comprehensive income are disclosed in note 40.

Income taxes

Deferred tax asset of HK$117,037,969 (2022: HK$131,409,218) has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK$709 million as at 31 December 2023 (2022: HK$796 million) for subsidiaries that are expected to have taxable profits in the future. The recognition of deferred tax asset involves management estimate in forecasting future taxable profits. No deferred tax asset was recognised for the deductible temporary differences of approximately HK$146 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK$684 million (2022: deductible temporary differences of approximately HK$202 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK$645 million) in respect of subsidiaries where it is not probable that sufficient profits will be generated. Details of the tax losses and the deferred tax are disclosed in note 28.

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	2023 HK$	2022 HK$
Commission and fee income		
Brokerage:		
Commission and fee income from securities brokerage	**96,438,136**	142,392,737
Commission and fee income from futures and options brokerage	**7,569,760**	14,803,471
Commission income from insurance brokerage	**7,033,059**	603,959
	111,040,955	157,800,167
Corporate finance:		
Commission income on placing, underwriting and sub-underwriting		
– Debt securities	**29,694,664**	33,802,428
– Equity securities	**6,000**	3,251,007
Corporate advisory fee income	**1,020,000**	662,500
Sponsor fee income	**4,397,628**	5,650,000
Arrangement fee income	**5,715,422**	2,343,600
	40,833,714	45,709,535
Asset management:		
Asset management fee income	**12,980,082**	17,592,251
Investment advisory fee income	**2,043,000**	2,108,566
	15,023,082	19,700,817
	166,897,751	223,210,519
Interest revenue		
Financial products and investments:		
Interest income from reverse repurchase agreements	**6,302,705**	6,664,845
Interest income from debt investments at fair value through other comprehensive income	**75,534,291**	8,710,680
Interest income from debt investments at amortised cost	**9,739,143**	3,919,843
	91,576,139	19,295,368
Margin financing:		
Interest income from margin financing	**30,274,458**	30,097,837
	121,850,597	49,393,205

5. REVENUE AND OTHER INCOME *(Continued)*

Revenue *(Continued)*

	2023 HK$	2022 HK$
Net trading and investment income		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	**257,321,153**	277,501,172
Dividend income from financial assets at fair value through profit or loss	**10,536,049**	6,279,937
Net loss on financial assets at fair value through profit or loss	**(150,711,713)**	(510,821,170)
Interest income from derivatives	**–**	6,164,915
Net gain on derivatives	**7,300,656**	128,976,195
Net gain on financial liabilities at fair value through profit or loss	**10,003,605**	41,092,493
Dividend income from equity instruments designated at fair value through other comprehensive income	**112,310,647**	36,206,922
Net gain on disposal of debt investments at fair value through other comprehensive income	**7,845,872**	–
	254,606,269	(14,599,536)
Total revenue	**543,354,617**	258,004,188

Timing of revenue recognition for commission and fee income from customers

	2023 HK$	2022 HK$
A point in time	**138,735,200**	194,888,492
Over time	**28,162,551**	28,322,027
Total	**166,897,751**	223,210,519

Performance obligations for commission and fee income from customers

(1) Brokerage

The Group provides broking and dealing services for securities, futures and options contracts. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. The Group also provides handling services for securities, futures and options customer accounts. Fee income is recognised when the transaction is executed.

The Group provides custodian services for securities, futures and options customer accounts. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time.

5. REVENUE AND OTHER INCOME *(Continued)*

Performance obligations for commission and fee income from customers *(Continued)*

(1) Brokerage *(Continued)*

The Group also provides placement services for insurance and wealth products to customers. Commission income is recognised at a point in time when the placement is completed and is calculated at a certain percentage of the premium paid for certain period of the insurance and wealth products.

(2) Corporate finance

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognised when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. Accordingly, the revenue is recognised at a point in time.

The Group also provides sponsorship services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. As there is enforceable right to payment for the Group for the performance of services completed up to date based on the contracts with customers regarding sponsor or corporate advisory services, the revenue is recognised over time.

(3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receive and consume the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. Investment advisory fee income is charged at a fixed amount per month for managing the investment portfolio of each client.

The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognised at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

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

The following table shows the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partly unsatisfied) as at 31 December 2023 and 2022 and the expected timing of recognising revenue are as follows:

	2023 **HK$**	2022 HK$
Within one year	**3,887,500**	15,600,000

5. REVENUE AND OTHER INCOME *(Continued)*

Performance obligations for commission and fee income from customers *(Continued)*

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

This amount represents revenue expected to be recognised in the future from the contracts for sponsorship services. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months.

Other Income

	2023 HK$	2022 HK$
Interest income from financial institutions	**185,793,575**	102,759,275
Sundry income	**5,945,171**	13,734,448
	191,738,746	116,493,723

6. SEGMENT REPORTING

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The CODM considers the Group's operations are located in Hong Kong.

The Group's reportable and operating segments under HKFRS 8 are as follows:

Brokerage – provision of securities, futures and options and insurance brokerage services;

Margin financing – provision of margin financing services to customers;

Corporate finance – provision of corporate advisory, sponsorship, placing and underwriting services of debt and equity securities and structured products arrangement services;

Asset management – provision of fund management, discretionary account management and investment advisory services;

Financial products and investments – proprietary trading and investment of funds, debt and equity securities, fixed income, derivatives and other financial products.

Others – other businesses in addition to the above, including head office operations and investment holding platforms, and management of general working capital.

The accounting policies of the operating segments are the same as the Group's accounting policies. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred.

6. SEGMENT REPORTING *(Continued)*

For the year ended 31 December 2023

	Brokerage HK$	Margin financing HK$	Corporate finance HK$	Asset management HK$	Financial products and investments HK$	Others HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result								
Commission and fee income	111,040,955	–	40,833,714	15,023,082	–	–	–	166,897,751
Interest revenue	–	30,274,458	–	–	91,576,139	–	–	121,850,597
Net trading and investment income	–	–	–	–	254,606,269	–	–	254,606,269
Inter-segment revenue	164,997	–	–	8,118,969	–	–	(8,283,966)	–
Segment revenue	111,205,952	30,274,458	40,833,714	23,142,051	346,182,408	–	(8,283,966)	543,354,617
Revenue presented in the consolidated statement of profit or loss and other comprehensive income								543,354,617
Segment results	129,911,819	(51,912,910)	(6,511,416)	(19,152,773)	13,569,563	7,253,479	–	73,157,762
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income								73,157,762
Other segmental information included in the measure of segment results								
Change in impairment losses on financial assets	347,371	6,055,689	–	1,224,745	788,847	–	–	8,416,652
Depreciation	4,056	–	–	–	–	34,959,535	–	34,963,591
Amortisation	2,765,203	–	–	17,067	–	3,706,575	–	6,488,845
Interest income	196,953,733	30,274,458	1,399,615	611,730	353,774,489	143,742,678	(161,791,378)	564,965,325
Interest expenses	1,146,025	38,582,664	–	–	285,695,620	125,268,674	(161,791,378)	288,901,605
Dividend income	–	–	–	–	122,846,696	–	–	122,846,696

6. SEGMENT REPORTING *(Continued)*

For the year ended 31 December 2022

	Brokerage	Margin financing	Corporate finance	Asset management	Financial products and investments	Others	Eliminations	Consolidated
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Segment revenue and result								
Commission and fee income	157,800,167	–	45,709,535	19,700,817	–	–	–	223,210,519
Interest revenue	–	30,097,837	–	–	19,295,368	–	–	49,393,205
Net trading and investment income	–	–	–	–	(14,599,536)	–	–	(14,599,536)
Inter-segment revenue	265,000	–	–	9,127,635	–	–	(9,392,635)	–
Segment revenue	158,065,167	30,097,837	45,709,535	28,828,452	4,695,832	–	(9,392,635)	258,004,188
Revenue presented in the consolidated statement of profit or loss and other comprehensive income								258,004,188
Segment results	13,783,945	(102,102,990)	(3,020,924)	(44,413,111)	(201,288,950)	31,758,519	–	(305,283,511)
Loss before taxation presented in the consolidated statement of profit or loss and other comprehensive income								(305,283,511)
Other segmental information included in the measure of segment results								
Change in impairment losses on financial assets	7,994	82,865,370	–	(682,452)	271,761	–	–	82,462,673
Depreciation	11,993	–	–	–	–	51,404,867	–	51,416,860
Amortisation	2,340,260	–	–	1,422	–	2,207,853	–	4,549,535
Interest income	91,517,209	30,097,837	284,081	36,201	311,838,642	170,545,577	(168,500,980)	435,818,567
Interest expenses	136,635	20,170,706	–	–	190,145,192	140,051,843	(168,500,980)	182,003,396
Dividend income	–	–	–	–	42,486,859	–	–	42,486,859

6. SEGMENT REPORTING *(Continued)*

Geographical information

For the years ended 31 December 2023 and 2022, the Group's revenue from external customers are all derived from activities in Hong Kong based on the location of services delivered and the Group's non-current assets excluding financial instruments are all located in Hong Kong by physical location of assets. As a result, no geographical segment information is presented for both years.

Information about major customers

The largest customer and largest 5 customers contribute approximately 16.2% and 32.8% respectively (2022: 15.9% and 26.2% respectively) to the Group's revenue from external customers during the year ended 31 December 2023.

7. FINANCE COSTS

	2023 **HK$**	2022 HK$
Interest on bank borrowings	**78,080,888**	23,382,592
Interest on bonds	**44,060,297**	48,591,228
Interest on repurchase agreements	**162,486,483**	41,326,235
Interest on secured margin loans from brokers	**45,914**	56,274
Interest on notes	**2,602,846**	–
Interest on clients' account	**89,782**	142,408
Interest on financial liabilities at fair value through profit or loss	**–**	38,761
Interest on lease liabilities	**1,535,395**	1,451,946
Interest on amount due to the immediate holding company	**–**	67,013,952
	288,901,605	182,003,396

8. COMMISSION AND FEE EXPENSES

	2023 **HK$**	2022 HK$
Sales commission paid to account executives	**16,457,682**	23,297,441
Commission and fee paid to brokers	**10,345,112**	22,978,874
Others *(note)*	**12,701,450**	16,623,580
	39,504,244	62,899,895

Note: Amount includes the sub-management fees, custodian fees, scrip fee, clearing fee and other handling fee.

9. PROFIT/(LOSS) BEFORE TAXATION

	2023 HK$	2022 HK$
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments and five highest paid employees' emoluments) *(note a)*	**196,919,115**	160,103,290
Salaries and bonuses	**192,612,128**	156,118,656
Contribution to the MPF Scheme	**3,435,141**	3,213,493
Other staff costs	**871,846**	771,141
Auditor's remuneration	**1,950,000**	1,800,000
Legal and professional fee	**13,538,494**	18,721,324
Amortisation of intangible assets	**6,488,845**	4,549,535
Depreciation of property and equipment	**34,963,591**	51,416,860
Telephone and postage	**4,182,803**	4,851,580
Maintenance fee	**19,426,885**	15,086,688
Transportation expenses	**3,530,045**	2,692,075
Entertainment expenses	**3,222,100**	2,062,841
Impairment losses on financial assets	**8,416,652**	82,462,673
Secured margin loans *(note c)*	**6,417,671**	81,936,022
Accounts receivable (except for secured margin loans)	**862,763**	246,897
Reverse repurchase agreements	**(148,036)**	(71,904)
Bank balances – trust accounts	**347,371**	7,994
Debt investments at amortised costs	**(1,456)**	99,421
Debt investments at FVTOCI	**938,339**	244,243
Other gains or losses	**(18,106,895)**	29,294,055
Exchange (gain)/loss	**(13,520,380)**	42,904,871
Other gains *(note b)*	**(4,586,515)**	(13,641,539)
Losses on disposal of property and equipment	**–**	30,723

Notes:

(a) Staff and directors' bonuses are discretionary and determined with reference to the Group's and the individual's performance.

(b) Included in other gains is the net gain of consolidated investment funds attributable to third-party unit holders/shareholders of HK$4,586,515 (2022: net gain of HK$13,641,539). See note 45.

(c) According to the assessment of the expected credit loss model, impairment losses on secured margin loans of HK$6,417,671 (2022: HK$81,936,022) were made for the year, including (i) impairment losses recognised of HK$31,870,221 (2022: HK$95,555,925); net of (ii) reversal of impairment losses of HK$25,452,550 (2022: HK$13,619,903).

10. TAXATION

	2023 HK$	2022 HK$
Hong Kong Profit Tax:		
Current year	**5,972,862**	19,354
(Over)/under-provision in prior years	**(39,927)**	3,973,621
	5,932,935	3,992,975
Deferred Tax:		
Current year	**12,660,544**	(11,874,070)
	18,593,479	(7,881,095)

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

The provision for Hong Kong Profits Tax for 2023 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022-23 subject to a maximum reduction of HK$6,000 for each business (2022: a maximum reduction of HK$10,000 was granted for the year of assessment 2021-22 and was taken into account in calculating the provision for 2022).

The tax expense/(credit) for the years ended 31 December 2023 and 2022 can be reconciled to the profit/(loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK$	2022 HK$
Profit/(loss) before taxation	**73,157,762**	(305,283,511)
Notional tax on profit/(loss) before taxation, calculated at 16.5% (2022: 16.5%)	**12,071,031**	(50,371,779)
Tax effect of expenses not deductible for tax purpose	**11,803,069**	50,989,569
Tax effect of income not taxable for tax purpose	**(15,196,625)**	(11,095,676)
Tax at concessionary tax rate of 8.25% (2022: 8.25%)	**(165,000)**	(38,800)
Tax effect of deductible temporary difference not recognised	**2,184,352**	(11,613,510)
Tax effect of tax losses not recognised	**9,702,348**	13,268,156
Utilisation of tax losses previously not recognised	**(2,019,378)**	(2,951,697)
(Over)/under-provision in prior years	**(39,927)**	3,973,621
Others	**253,609**	(40,979)
Tax expense/(credit) for the year	**18,593,479**	(7,881,095)

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the years ended 31 December 2023 and 2022, the emoluments paid or payable by the Group are as follows:

	Fees HK$	Salaries and allowances HK$	Benefits in kind HK$	Discretionary bonus HK$ *(note b)*	Retirement benefit schemes contributions HK$	Total HK$
For the year ended 31 December 2023						
ZENG Yanxia *(note a and c)*	–	1,069,554	–	726,080	–	1,795,634
ZHANG Chunjuan *(note a and c)*	–	1,950,023	–	1,396,290	–	3,346,313
CAI Junzheng *(note a and c)*	–	2,898,023	–	143,100	–	3,041,123
HONG Ying *(note d)*	300,000	–	–	–	–	300,000
Tian Li *(note d)*	300,000	–	–	–	–	300,000
Qin Shuo *(note d)*	270,000	–	–	–	–	270,000
HU Pingsheng *(note d and e)*	–	–	–	–	–	–
	870,000	5,917,600	–	2,265,470	–	9,053,070

	Fees HK$	Salaries and allowances HK$	Benefits in kind HK$	Discretionary bonus HK$ (note b)	Retirement benefit schemes contributions HK$	Total HK$
For the year ended 31 December 2022						
Cai Junzheng *(note a and c)*	–	241,617	–	–	–	241,617
Li Baochen *(note a and c)*	–	2,788,236	–	2,596,740	–	5,384,976
Wang Xiang *(note a and c)*	–	779,164	–	427,500	–	1,206,664
Zeng Yanxia *(note a and c)*	–	1,821,078	–	448,660	–	2,269,738
Zhang Chunjuan *(note a and c)*	–	1,953,078	–	1,772,380	–	3,725,458
Huang Yilin *(note e)*	–	–	–	–	–	–
Hong Ying *(note d)*	272,055	–	–	–	–	272,055
Tian LI *(note d)*	272,055	–	–	–	–	272,055
Qin Shuo *(note d)*	241,993	–	–	–	–	241,993
	786,103	7,583,173	–	5,245,280	–	13,614,556

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(a) No retirement benefit schemes contributions was paid or payable by the Group to Mr. Cai Junzheng, Mr. Li Baochen, Mr. Wang Xiang, Ms. Zeng Yanxia and Ms. Zhang Chunjuan during the years ended 31 December 2023 and 2022.

(b) The discretionary bonus of directors or chief executive of the Company was determined by the management of the ultimate and intermediate holding companies and by reference to the Group's financial performance and the directors' and the chief executive's duties, responsibilities and individual performance within the Group.

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

(d) The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

(e) The remuneration of Mr. Hu Pingsheng for the year ended 31 December 2023 and Mr. Huang Yilin for the year ended 31 December 2022 was borne by the ultimate holding company and there is no basis of allocation of their remuneration between the ultimate holding company and the Group. Mr. Hu Pingsheng resigned on 4 March 2024.

(b) Highest paid individuals

The five individuals with the highest emoluments in the Group does not include any directors of the Company for the year ended 31 December 2023 (2022: included two) and details of whose emoluments are included in the disclosure above. The emoluments of the five individuals for the year ended 31 December 2023 (2022: remaining three) are as below:

	2023 **HK$**	2022 HK$
Employees		
– salaries and allowances	**10,610,223**	7,689,000
– discretionary bonuses	**10,507,665**	7,429,870
– retirement benefit schemes contributions	**72,000**	54,000
	21,189,888	15,172,870

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Highest paid individuals *(Continued)*

Their emoluments were within the following bands:

	Number of employees	
	2023	2022
HK$3,500,001 to HK$4,000,000	**2**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	2
HK$5,000,001 to HK$5,500,000	**1**	1
	5	3

During the year ended 31 December 2023, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil). None of the directors waived any emoluments during both years.

12. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2023 HK$	2022 HK$
2022 Final – HK$Nil (2022: 2021 Final – HK$Nil) per share	**–**	–

Subsequent to the end of the reporting period, the directors of the Company did not recommend any payment of final dividend in respect of the year ended 31 December 2023 (2022: did not recommend any payment of final dividend in respect of the year ended 31 December 2022).

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to ordinary equity holders of the Company is based on the following data:

	2023 HK$	2022 HK$
Earnings/(loss) (HK$)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share:		
Profit/(loss) for the year attributable to ordinary equity holders of the Company	**54,564,283**	(297,402,416)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**4,000,000,000**	4,000,000,000

For each of the years ended 31 December 2023 and 2022, there were no potential ordinary shares in issue, thus no diluted earnings/(loss) per share is presented.

14. PROPERTY AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvement HK$	Furniture and fixtures HK$	Computer equipment HK$	Other properties leased for own use carried at cost HK$	Total HK$
Cost					
At 1 January 2022	52,686,655	2,633,202	35,828,616	151,373,868	242,522,341
Additions	1,938,951	18,590	6,950,533	–	8,908,074
Disposals	–	–	(759,299)	–	(759,299)
At 31 December 2022	54,625,606	2,651,792	42,019,850	151,373,868	250,671,116
Additions	1,339,200	395,921	1,462,926	55,209,646	58,407,693
Deductions	–	–	–	(151,373,868)	(151,373,868)
At 31 December 2023	55,964,806	3,047,713	43,482,776	55,209,646	157,704,941
Depreciation					
At 1 January 2022	(35,684,998)	(1,409,816)	(28,917,021)	(100,508,124)	(166,519,959)
Charge for the year	(11,737,301)	(391,466)	(3,741,260)	(35,546,833)	(51,416,860)
Disposals	–	–	728,576	–	728,576
At 31 December 2022	(47,422,299)	(1,801,282)	(31,929,705)	(136,054,957)	(217,208,243)
Charge for the year	(7,282,083)	(293,364)	(3,782,588)	(23,605,556)	(34,963,591)
Deductions	–	–	–	151,373,868	151,373,868
At 31 December 2023	(54,704,382)	(2,094,646)	(35,712,293)	(8,286,645)	(100,797,966)
Carrying values					
At 31 December 2023	1,260,424	953,067	7,770,483	46,923,001	56,906,975
At 31 December 2022	7,203,307	850,510	10,090,145	15,318,911	33,462,873

14. PROPERTY AND EQUIPMENT *(Continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2023 HK$	31 December 2022 HK$
Other properties leased for own use, carried at depreciated cost	**46,923,001**	15,318,911

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

	2023 HK$	2022 HK$
Depreciation charge of right-of-use assets	**23,605,556**	35,546,833
Interest on lease liabilities *(note 7)*	**1,535,395**	1,451,946

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23(a) and 32, respectively.

The lease typically runs for 2-3 years.

15. INTANGIBLE ASSETS

	Software	Trading rights	Total
	HK$	HK$	HK$
Cost:			
At 1 January 2022	20,969,118	1,000,000	21,969,118
Additions	8,616,974	–	8,616,974
At 31 December 2022	29,586,092	1,000,000	30,586,092
Additions	6,011,486	–	6,011,486
At 31 December 2023	35,597,578	1,000,000	36,597,578
Amortisation			
At 1 January 2022	(14,310,228)	–	(14,310,228)
Charge for the year	(4,549,535)	–	(4,549,535)
At 31 December 2022	(18,859,763)	–	(18,859,763)
Charge for the year	(6,488,845)	–	(6,488,845)
At 31 December 2023	(25,348,608)	–	(25,348,608)
Carrying values			
At 31 December 2023	10,248,970	1,000,000	11,248,970
At 31 December 2022	10,726,329	1,000,000	11,726,329

Intangible assets include trading rights in the Stock Exchange and the Hong Kong Futures Exchange Limited with indefinite useful life and the using rights of software with finite life.

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$	2022 HK$
Equity securities		
– Listed in Hong Kong	**75,318,872**	69,167,656
– Listed outside Hong Kong	**66,429,215**	79,573,379
Debt securities *(note a)*		
– Listed in Hong Kong	**2,256,099,746**	1,211,859,039
– Listed outside Hong Kong	**863,792,864**	303,677,030
– Unlisted	**1,361,957,116**	1,074,514,177
Funds		
– Unlisted	**310,753,781**	104,591,207
Derivatives *(note b)*	**567,333**	–
	4,934,918,927	2,843,382,488
Analysed as		
Current	**4,919,759,113**	2,818,655,977
Non-current *(note c)*	**15,159,814**	24,726,511
	4,934,918,927	2,843,382,488

Notes:

(a) Included in the portfolio of held for trading debt securities, there were arrangements to sell debt securities under a repurchase agreement during the year ended 31 December 2023 and 2022. Details of the arrangement are set out in notes 29 and 38.

(b) For the year ended 31 December 2023, the Group entered into swap contracts with total notional amounts of RMB25,997,738, of which reference to equity index and fund interest.

(c) For the years ended 31 December 2023 and 2022, included in the non-current portion is an unlisted investment fund that the directors of the Group do not expect to realise within twelve months after the reporting period.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$	2022 HK$
Equity instruments designated at FVTOCI *(note)*		
– Listed in Hong Kong	**1,925,150,134**	1,327,673,412
– Listed outside Hong Kong	**552,974,766**	338,116,526
– Unlisted	**102,603,406**	70,099,153
Debt securities		
– Listed in Hong Kong	**1,382,616,164**	328,628,528
– Listed outside Hong Kong	**397,477,297**	86,577,179
– Unlisted	**24,263,535**	23,595,276
	4,385,085,302	2,174,690,074
Analysed as		
Current	**4,385,085,302**	2,174,690,074
Non-current	**–**	–
	4,385,085,302	2,174,690,074

Note: The Group has designated those equity instruments at fair value through other comprehensive income ("FVTOCI") as these investments are not held for trading purpose.

During the year ended 31 December 2023, the Group disposed certain equity instruments designated at FVTOCI in response to the change in market conditions. The fair value of the equity instruments disposed at the date of derecognition was HK$495,621,886. The cumulative losses on disposal of HK$13,351,587 was transferred from fair value reserve to accumulated loss.

18. DEBT INVESTMENTS AT AMORTISED COST

	2023 HK$	2022 HK$
Debt securities		
– Listed in Hong Kong	**239,041,810**	215,053,375
– Unlisted	**39,179,121**	–
Less: impairment allowance	**(97,965)**	(99,421)
	278,122,966	214,953,954
Analysed as		
Current	**–**	–
Non-current	**278,122,966**	214,953,954
	278,122,966	214,953,954

The carrying amounts of the debt investments at amortised cost approximate to their fair values as at 31 December 2023 and 2022.

19. REVERSE REPURCHASE AGREEMENTS

	2023 HK$	2022 HK$
Analysed by collateral type:		
Unlisted equity securities	**93,409,143**	93,215,541
Less: impairment allowance	**(120,338)**	(268,374)
	93,288,805	92,947,167
Analysed as:		
Current	**–**	–
Non-current	**93,288,805**	92,947,167
	93,288,805	92,947,167

The reverse repurchase agreements are those repurchase agreements which the external investors entered into with the Group under which assets were sold to the Group with a concurrent commitment to purchase the specified securities from the Group at a future date of an agreed price. The resale prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the consolidated financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities. Accordingly, the Group recognises these as collateralised lending asset for the price paid to purchase the assets.

As at 31 December 2023, the fair value of the collaterals were HK$252,440,650 (2022: HK$251,872,170).

20. STATUTORY DEPOSITS

Statutory deposits represent deposits with clearing houses. They are non-interest bearing.

Non-current portion

In accordance with the rules of Central Clearing and Settlement System ("CCASS"), admission fee, basic contribution and dynamic contribution to the guarantee fund of a defaulting clearing participant will be used to offset its indebtedness arising in the course of dealing in securities as disclosed in note 41 in accordance with the rules of CCASS.

Under the arrangement with HKFE Clearing Corporation Limited ("HKCC"), the statutory deposit could be used to set off against accounts payable to HKCC.

The directors of the Company do not expect to realise the amounts within twelve months after the reporting period.

Current portion

In accordance with the rules of CCASS, the Group is required to provide to Hong Kong Securities Clearing Company Limited (the "HKSCC") deposits from time to time as determined by HKSCC, as the Group has become a China Connect Clearing Participant under the rules of CCASS since year 2014. Amounts will be used to offset the Group's indebtedness arising in the course of dealing in securities as disclosed in note 41 in accordance with the rules of CCASS.

21. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2023 HK$	2022 HK$
Deposits *(note)*	**272,231,515**	152,022,331
Other receivables	**47,498,946**	27,981,161
Prepayments	**4,557,407**	4,162,851
	324,287,868	184,166,343
Analysed as:		
Current	**317,850,920**	169,308,298
Non-current	**6,436,948**	14,858,045
	324,287,868	184,166,343

Note: As at 31 December 2023 and 2022, the amount mainly comprises of cash collaterals posted to banks and other financial institutions for total return swaps, sales and repurchase agreements and credit derivatives transaction.

22. ACCOUNTS RECEIVABLE

	2023 HK$	2022 HK$
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	**1,385,823,142**	1,448,473,422
Less: impairment allowance	**(916,538,388)**	(916,853,993)
	469,284,754	531,619,429
Clearing houses	**114,184,353**	213,420,226
Cash clients	**61,707,836**	61,431,806
Brokers	**77,817,868**	79,431,836
Less: impairment allowance	**(899,958)**	(1,261,939)
	252,810,099	353,021,929
	722,094,853	884,641,358
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	**17,492,319**	61,254,257
Brokers	**53,202,829**	122,845,799
	70,695,148	184,100,056
Accounts receivable arising from the business of corporate finance	**11,409,121**	4,101,017
Accounts receivable arising from the business of asset management	**8,164,969**	10,443,983
Less: impairment allowance	**(1,831,387)**	(606,643)
	6,333,582	9,837,340
Accounts receivable arising from the business of financial products and investments:		
Brokers	**200,354,178**	84,776,847
	1,010,886,882	1,167,456,618

22. ACCOUNTS RECEIVABLE *(Continued)*

Secured margin loans

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The Group seeks to maintain strict control over its outstanding receivables, and rigorously monitors credit risks. To minimise exposure to credit risk, the Group evaluates customers' credit rating, financial background and repayment abilities. Management of the Group has set up credit limit for each individual customer, the application for which shall be subject to the Group's authorisation mechanism and submitted to the internal control department and senior management for approval. The maximum credit limit granted for each customer is based on the customer's creditworthiness, financial strength, the past collection statistic and the quality of related collateral. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group and other factors.

As at 31 December 2023 and 2022, the loans are repayable on demand subsequent to settlement date and are analysed as follows:

	2023 **HK$**	2022 HK$
Non credit-impaired secured margin loans		
– Gross amount	**257,515,694**	379,592,090
– Carrying amount	**255,827,797**	376,021,091
Credit-impaired secured margin loans		
– Gross amount	**1,128,307,448**	1,068,881,332
– Carrying amount	**213,456,957**	155,598,338
Market value of securities pledged in respect of all margin loans	**2,167,585,000**	2,188,840,000

Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the margin value of securities deposited.

The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. The Group had obtained margin clients' consent to pledge their securities collateral to secure banking facilities granted to the Group to finance the margin loan. As at 31 December 2023 and 2022, no bank borrowings were secured by charges over client's pledged securities.

During the years ended 31 December 2023 and 2022, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

22. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable (except for secured margin loans)

Except for secured margin loans, the normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date. The normal settlement terms of accounts receivable arising from the business of dealing in futures and options contracts are one day after trade date.

In respect of accounts receivable arising from the business of dealing in future and options contracts, under the settlement arrangement with HKCC (the clearing house), all open positions held at HKCC are treated as if they were closed out and reopened at the relevant closing quotation as determined by HKCC. Profits or losses arising from this "mark-to-market" settlement arrangement are included in accounts receivable with HKCC. In accordance with the agreement with the brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers.

Normal settlement terms of accounts receivable arising from the business corporate finance and asset management are determined in accordance with the agreed terms, usually within one year after the service was provided.

Normal settlement terms of accounts receivable arising from brokers arising from the business of financial products and investments are determined in accordance with the agreed terms which are normally two to five days after the trade date.

The following is an aging analysis of gross accounts receivable arising from the business of corporate finance and asset management based on date of invoice/accrual at the reporting date:

Corporate finance clients

	2023 **HK$**	2022 HK$
Less than 31 days	**5,613,487**	390,636
31 – 60 days	**437,668**	233,120
61 – 90 days	**390,775**	–
91 – 180 days	**1,172,325**	1,559,134
Over 180 days	**3,794,866**	1,918,127
	11,409,121	4,101,017

22. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable (except for secured margin loans) *(Continued)*

Asset management clients

	2023 HK$	2022 HK$
Less than 31 days	**1,280,280**	1,538,636
31 – 60 days	**464,297**	1,217,741
61 – 90 days	**422,347**	1,168,779
91 – 180 days	**1,072,112**	1,815,548
181 – 365 days	**2,076,938**	2,199,231
Over 365 days	**2,848,995**	2,504,048
	8,164,969	10,443,983

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 41.

23. BANK BALANCES – TRUST ACCOUNTS/GENERAL ACCOUNTS AND CASH

The Group maintains segregated accounts with authorised institutions to hold clients' money arising from its normal course of business of the regulated activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

The general accounts held by the Group comprise current and saving deposits held by the Group at prevailing market interest rates and time deposits bearing interest at commercial rates.

	2023 HK$	2022 HK$
Bank balances - general accounts and cash	**1,343,186,673**	1,547,079,843
Time deposits	**548,960,910**	1,156,868,673
– with original maturity of less than three months	**421,355,430**	1,156,868,673
– with original maturity of more than three months	**127,605,480**	–
Total bank balances – general accounts and cash	**1,892,147,583**	2,703,948,516

(a) Total cash outflow for leases

	2023 HK$	2022 HK$
Within operating cash flows	**–**	–
Within investing cash flows	**–**	–
Within financing cash flows	**24,393,476**	38,139,294

These amounts relate to lease rentals paid.

24. AMOUNT DUE TO A RELATED PARTY

The Group had the following balance with a related party at the end of each reporting period:

	2023 HK$	2022 HK$
Amount due to Industrial Securities (Shenzhen) *(note)*	**4,723,189**	1,316,280
Analysed as:		
Current	**4,723,189**	1,316,280
Non-current	**–**	–
	4,723,189	1,316,280

Note: Amount due to Industrial Securities Consultancy Service (Shenzhen) Company Limited ("Industrial Securities (Shenzhen)"), a fellow subsidiary, was mainly arising from the consultancy services provided by Industrial Securities (Shenzhen), which is unsecured, non-interest bearing and repayable on demand.

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$	2022 HK$
Held for trading		
Short position in listed debt securities	**11,063,700**	20,479,079
Derivatives *(note a)*	**525,974**	–
	11,589,674	20,479,079
Designated at fair value through profit or loss		
Unlisted issued structured products *(note b)*	**19,070,163**	30,447,343
	30,659,837	50,926,422
Analysed as:		
Current	**30,659,837**	50,926,422
Non-current	**–**	–
	30,659,837	50,926,422

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(a) For the year ended 31 December 2023, the Group held one swap contract with a notional amount of RMB19,997,738 of which reference to equity index.

(b) As at 31 December 2023 and 2022, included in financial liabilities designated at FVTPL are the structured notes issued with the underlying investments relating to unlisted investment fund.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets at FVTPL. These structured products are designated at FVTPL as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

The amount of change in fair values of the financial liabilities designated at FVTPL, during the year and cumulatively, attributable to changes in own credit risk was insignificant.

26. ACCOUNTS PAYABLE

	2023 **HK$**	2022 HK$
Accounts payable arising from the business of dealing in securities:		
Clearing house	**50,202,501**	–
Brokers	**12,489,121**	8,895,331
Clients	**3,216,060,730**	2,809,820,292
	3,278,752,352	2,818,715,623
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	**213,802,958**	331,791,184
Accounts payable arising from the business of asset management:		
Clients	**1,808**	–
Accounts payable arising from the business of financial products and investments:		
Brokers	**11,014,000**	–
Clients	**6,686,269**	–
	17,700,269	–
	3,510,257,387	3,150,506,807

26. ACCOUNTS PAYABLE *(Continued)*

In respect of accounts payable arising from the business of dealing in securities, accounts payable to clearing house represent trades pending settlement arising from business of dealing in securities transactions which are normally two trading days after the trade date or at specific terms agreed with clearing house. The majority of the accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trades pending settlement or margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required margin deposits and cash collateral stipulated are repayable on demand.

Accounts payable to brokerage clients (except certain balances arising from trades pending settlement) mainly include money held on behalf of clients at banks and at clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

In respect of accounts payable arising from the business of dealing in futures and options contracts, settlement arrangements with clients follow the same settlement mechanism with HKCC or brokers as disclosed in note 20 and profits or losses arising from mark-to-market settlement arrangement are included in accounts payables with clients. Accounts payable to clients arising from the business of dealing in futures and option contract are non-interest bearing.

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

In respect of accounts payable arising from the business of financial products and investments, accounts payable to brokers represent trades pending settlement which are normally determined in accordance with the agreed terms and which are normally two to five days after the trade date.

The Group has accounts payable arising from the business of dealing in securities of HK$2,660,046 due to the immediate holding company as at 31 December 2023 (2022: HK$77,557,769).

27. ACCRUALS AND OTHER PAYABLES

	2023 **HK$**	2022 HK$
Accrued charges *(note)*	**22,100,850**	30,491,392
Other payables	**1,925,418**	1,543,136
	24,026,268	32,034,528

Note: The amount mainly comprises of the accrued operating expenses including staff salary and bonus and also commission to accounts executives.

28. DEFERRED TAX ASSETS AND LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 **HK$**	2022 HK$
Deferred tax assets	**120,804,400**	133,464,944
Deferred tax liabilities	**(15,814)**	(15,814)
	120,788,586	133,449,130

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2023 and 2022:

	Changes in fair value of financial instruments HK$	**Tax loss** HK$	**ECL provision** HK$	**Accelerated tax depreciation** HK$	**Bonus provision** HK$	**Total** HK$
At 1 January 2022	(9,388,066)	125,596,740	968,318	931,242	3,466,826	121,575,060
Credit/(charge) credit to profit or loss *(note 10)*	9,388,066	5,812,478	(230,935)	371,287	(3,466,826)	11,874,070
At 31 December 2022	–	131,409,218	737,383	1,302,529	–	133,449,130
(Charge)/credit credit to profit or loss *(note 10)*	(20,552)	(14,371,249)	(51,097)	1,247,833	534,521	(12,660,544)
At 31 December 2023	(20,552)	117,037,969	686,286	2,550,362	534,521	120,788,586

Deferred tax asset has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK$709 million as at 31 December 2023 (2022: HK$796 million).

No deferred tax has been recognised in the consolidated statement of financial position in relation to the deductible temporary differences of approximately HK$146 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK$684 million (2022: deductible temporary differences of approximately HK$202 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK$645 million) as it is uncertain whether future taxable profits will be available.

29. REPURCHASE AGREEMENTS

	2023 HK$	2022 HK$
Analysed as:		
Current	**3,341,795,173**	1,958,527,621
Non-current	**876,991,121**	–
	4,218,786,294	1,958,527,621

As at 31 December 2023, financial assets at FVTPL of HK$1,966,000,992 (2022: HK$560,206,365), financial assets at FVTOCI of HK$3,149,954,382 (2022: HK$1,709,278,919) and financial assets at amortised cost of HK$275,036,557 (2022: HK$206,211,372) were sold under repurchase agreements with other financial institutions which the Group simultaneously agreed to repurchase these debt securities at the agreed date and price. Details of the arrangement are set out in note 38. The Group's repurchase agreements as at 31 December 2023 are at fixed interest rate of 4.3% to 5.65% per annum (2022: 1.8% to 4.95% per annum).

30. BANK BORROWINGS

	2023 HK$	2022 HK$
Variable rate borrowings	**2,184,584,146**	1,000,907,152
Repayable within one year and contain a repayable on demand clause	**2,184,584,146**	1,000,907,152
Repayable within a period of more than one year but not exceeding two years	**–**	–
	2,184,584,146	1,000,907,152

The bank borrowings consist of loans borrowed by the Group from banks to facilitate investment and general working capital.

The interest rate of the Group's bank borrowings as at 31 December 2023 ranged from Hong Kong Interbank Offered Rate ("HIBOR") +0.7% to HIBOR+0.8% (2022: HIBOR+0.8% to HIBOR+1.2%).

At 31 December 2023, HK$2,180,000,000 (net of bank charge) (2022: HK$1,000,000,000) had been drawn under the aggregated banking facilities of HK$8,276,564,000 (2022: HK$8,316,000,000) of the Group. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK$4,547,085,000 as at 31 December 2023 (2022: HK$3,387,000,000). Out of which HK$1,380,000,000 have been drawn as at 31 December 2023 (2022: HK$1,000,000,000).

No bank borrowings were secured by charges over clients' pledged securities as at 31 December 2023 and 2022.

31. BONDS AND NOTES

During the year ended 31 December 2021, the Company issued US$300,000,000 corporate bonds with fixed interest rate of 2% per annum with a three year maturity (the "Corporate Bonds") which is guaranteed by the Company's controlling shareholder, Industrial Securities..

During the year ended 31 December 2022, the Company repurchased the Corporate Bonds with an aggregate principal amount of US$35,000,000 in the open market. Such repurchased Corporate Bonds were cancelled subsequently in accordance with their respective terms and conditions. The remaining principal amount of US$265,000,000 of the Corporate Bonds will mature in February 2024.

During the year ended 31 December 2023, the Company has established the Euro-commercial paper programme under which it may offer and issue unsecured notes in tranches of an aggregate principal amount of up to HK$5,000,000,000 (or its equivalent in other currencies) to professional investors. As at 31 December 2023, the Company has outstanding notes of HK$167,244,300 with tenors not more than 364 days. The interest rate of outstanding notes ranged from 3.15% to 5.83%.

32. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	31 December 2023		31 December 2022	
	Present value of the minimum lease payment HK$	Total minimum lease payment HK$	Present value of the minimum lease payment HK$	Total minimum lease payment HK$
Within 1 year	19,349,190	19,883,856	16,305,095	16,500,345
After 1 but within 3 years	29,307,470	32,126,299	–	–
	48,656,660	52,010,155	16,305,095	16,500,345
Less: finance cost		(3,353,495)		(195,250)
Present value lease obligation		48,656,660		16,305,095

33. SHARE CAPITAL

Details of the movement of share capital for both years are as follows:

	Number of ordinary shares of HK$0.10 each	Share capital HK$
Authorised:		
As at 1 January 2022, 31 December 2022 and 31 December 2023	20,000,000,000	2,000,000,000
Issued and fully paid:		
As at 1 January 2022, 31 December 2022 and 31 December 2023	4,000,000,000	400,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

34. CAPITAL RESERVE

As at 31 December 2023 and 2022, capital reserve represents the difference between 489,990,000 consideration shares at par value of HK$0.1 each issued by the Company and the consideration for the acquisition of the combined businesses pursuant to the Group reorganisation (as more fully explained in the section headed "History, Reorganisation and Group Structure – Reorganisation" in the prospectus of the Company dated 30 September 2016 (the "Prospectus")).

35. OTHER EQUITY INSTRUMENTS

On 16 June 2021, the Company issued subordinated perpetual securities (the "Perpetual Securities") of HK$1,000,000,000 to its controlling shareholder, Industrial Securities (Hong Kong) Financial Holdings Limited with an initial distribution rate of 1.58% per annum. There is no maturity date for the Perpetual Securities. The Company has the sole and absolute discretion to defer any distributions. The Perpetual Securities constitute direct, unconditional, subordinated and unsecured obligations of the Company and are classified as equity instruments and recorded as equity in the consolidated statement of financial position.

36. COMMITMENTS

Investment commitments

In the normal course of business, the Group had no investment commitments contracted as at 31 December 2023 (2022: Nil).

37. EMPLOYEE BENEFITS

Retirement Benefits Schemes

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates (up to HK$1,500 per employee per month) specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid to the schemes by the Group are disclosed in note 9.

38. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties. In some cases where these transfers may give rise to full derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group transfers financial assets that are not derecognised in their entirety primarily through the sale of securities with concurrent total return swaps and sales and repurchase agreements.

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security investment and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those security investments sold. These security investments are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these security investments. The proceeds received on the transfer are recognised as liabilities under "repurchase agreements".

The following table sets out the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

	As at 31 December 2023				
Analysed by liabilities type	**Carrying amount of transferred assets**			**Carrying amount of associated liabilities**	**Net position**
	Deposits – collateral paid HK$	**Financial assets HK$**	**Total HK$**	**HK$**	**HK$**
Repurchase agreements *(note 29)*	**80,649,516**	**5,390,991,931**	**5,471,641,447**	**4,218,786,294**	**1,252,855,153**

	As at 31 December 2022				
Analysed by liabilities type	Carrying amount of transferred assets			Carrying amount of associated liabilities	Net position
	Deposits – collateral paid HK$	Financial assets HK$	Total HK$	HK$	HK$
Repurchase agreements *(note 29)*	54,818,461	2,475,696,656	2,530,515,117	1,958,527,621	571,987,496

39. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of bank borrowings, notes and bonds as disclosed in notes 30 and 31, and equity attributable to owners of the Company (comprising issued share capital, other equity instruments, reserves and retained earnings) as follows:

	2023 **HK$**	2022 HK$
Bank borrowings	**2,184,584,146**	1,000,907,152
Notes	**168,281,769**	–
Bonds	**2,087,232,051**	2,079,992,337
Equity attributable to holders of the ordinary shares	**3,123,942,198**	2,994,877,702
Equity attributable to holders of other equity instruments	**1,000,000,000**	1,000,000,000
	8,564,040,164	7,075,777,191

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through new share issues or bank borrowings. The Group's overall strategy remains unchanged throughout the years.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are granted licenses by the Hong Kong Securities and Futures Commission (the "SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management of the Group closely monitors, on a daily basis, the Regulated Subsidiaries' liquid capital level to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Regulated Subsidiaries has no non-compliance of capital requirements imposed by the SF(FR)R throughout both years.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK$	2022 HK$
Financial assets		
Financial assets at amortised cost	**7,036,692,522**	7,267,584,852
Financial assets at fair value through profit or loss	**4,934,918,927**	2,843,382,488
Financial assets at fair value through other comprehensive income	**4,385,085,302**	2,174,690,074
Financial liabilities		
Financial liabilities at fair value through profit or loss	**170,934,245**	231,646,631
Financial liabilities at amortised cost	**12,224,446,914**	8,209,098,428

Financial risk management objectives and policies

The Group's major financial instruments include statutory deposits, financial assets at FVTPL, financial assets at FVTOCI, debt investments at amortised cost, reverse repurchase agreements, accounts receivable, deposits and other receivables, bank balances and cash, accounts payable, repurchase agreements, bank borrowings, notes, bonds, other liabilities, other payables and amount due to a related party. Details of these financial instruments are disclosed in respective notes. The risks associated with those financial instruments and the policies on how to mitigate these risks are set out below.

The Group's risk management objectives are to achieve a proper balance between risks and yield and minimise the adverse impact of risks on the Group's operating performance. Based on these risk management objectives, the Group's risk management strategy is to identify and analyse the various risks the Group is exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level.

The risks that the Group is exposed to in its daily operating activities mainly include market risk (including currency exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk policies and internal control process.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate security investments classified as financial assets at FVTPL and FVTOCI. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, secured margin loans and bank borrowings carrying interests at prevailing market rates.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate and Secured Overnight Financing Rate arising from the Group's respective HKD and USD denominated financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole year. When reporting to management of the Group on the interest rate risk, a 50 basis points ("bps") increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates.

	Increase/ (decrease) in profit after tax for the year 2023 HK$	Decrease/ (increase) in loss after tax for the year 2022 HK$
Increase by 50 bps	**1,263,455**	13,512,210
Decrease by 50 bps	**(1,263,455)**	(13,512,210)

	Increase/ (decrease) in other comprehensive income for the year 2023 HK$	Increase/ (decrease) in other comprehensive income for the year 2022 HK$
Increase by 50 bps	**(78,944,458)**	(28,769,248)
Decrease by 50 bps	**78,944,458**	28,769,248

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as at the year end and exposure does not reflect the exposure during the year.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk

The Group undertakes certain transactions denominated in currencies other than its functional currencies, hence they are exposed to exchange rate fluctuation. The Group mitigates currency risk using cross-currency forward contracts to hedge movements in exchange rates where necessary.

The major foreign currency exposure of the Group in HKD equivalent is presented below:

	Assets		Liabilities	
	2023 HK$	2022 HK$	**2023 HK$**	2022 HK$
United States dollars ("USD")	**12,167,081,139**	6,683,763,854	**8,340,502,539**	4,908,937,988
Renminbi ("RMB")	**512,328,564**	771,491,079	**180,669,117**	312,996,367

Foreign currency sensitivity

The directors of the Company do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the HKD pegged system to the USD. The following table details the Group's sensitivity to a 5% strengthening in RMB against HKD, translated at year-end date. 5% sensitivity rate represents management's assessment of a reasonably possible change in foreign exchange rates. For a 5% weakening in RMB against HKD, there would be an equal and opposite impact on the profit after taxation for the year.

	Increase/ (decrease) in profit after taxation for the year 2023 HK$	Decrease/ (increase) in loss after taxation for the year 2022 HK$
RMB	**16,582,972**	22,925,000

Other price risk

The Group is exposed to price changes arising from investments classified as financial assets at FVTPL and FVTOCI.

The Group has established a multi-level management system for its financial products and investments business. The Board has set up the Investment Decision Committee for the purposes of formulating investment policies and guidelines, making major investment decisions and setting authorisation limits on investment managers in investment activities. The risk control team is responsible for monitoring the daily operations of its financial products and investments activities and to ensure compliance with its trading policies.

In addition, the Group's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Finance Department, the Compliance Department and the Internal Audit Department. The Group's exposures are closely monitored by the Finance Department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

The following table summarises the impact on changes in prices/unit prices of financial assets at FVTPL, financial assets at FVTOCI, financial liabilities at FVTPL and other liabilities on the Group's profit after tax and other components of equity for the year:

2023

	Exposure	Impact on a 5% increases in price on profit after tax for the year	Impact on a 5% decreases in price on profit after tax for the year
Financial assets at fair value through profit or loss (except for derivative)			
Listed equity securities and debt securities	3,225,789,971	161,289,499	(161,289,499)
Unlisted equity securities, debt securities and investment funds	1,412,107,911	70,605,396	(70,605,396)
Financial liabilities at fair value through profit or loss (except for derivative)			
Unlisted structured financial products	19,070,163	(953,508)	953,508
Debt securities	11,063,700	(553,185)	553,185
Other liabilities (third parties unit holders/shareholders of consolidated investment funds)	149,985,525	(7,499,276)	7,499,276
		222,888,926	(222,888,926)

	Exposure	Impact on a 5% increases in price on other components of equity for the year	Impact on a 5% decreases in price on other components of eauity for the year
Financial assets at fair value through other comprehensive income			
Listed equity instruments and debt securities	4,207,798,848	210,389,942	(210,389,942)
Unlisted equity instruments and debt securities	125,694,006	6,284,700	(6,284,700)
		216,674,642	(216,674,642)

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

2022

	Exposure	Impact on a 5% increases in price on profit after tax for the year	Impact on a 5% decreases in price on loss after tax for the year
Financial assets at fair value through profit or loss (except for derivative)			
Listed equity securities and debt securities	1,647,608,794	82,380,440	(82,380,440)
Unlisted equity securities, debt securities and investment funds	1,049,260,417	52,463,021	(52,463,021)
Financial liabilities at fair value through profit or loss (except for derivative)			
Unlisted structured financial products	30,447,343	(1,522,367)	1,522,367
Debt securities	20,479,079	(1,023,954)	1,023,954
Other liabilities (third parties unit holders/shareholders of consolidated investment funds)	146,377,072	(7,318,854)	7,318,854
		124,978,286	(124,978,286)

	Exposure	Impact on a 5% increases in price on other components of equity for the year	Impact on a 5% decreases in price on other components of eauity for the year
Financial assets at fair value through other comprehensive income			
Listed equity instruments and debt securities	2,055,055,562	102,752,778	(102,752,778)
Unlisted equity instruments and debt securities	93,259,695	4,662,985	(4,662,985)
		107,415,763	(107,415,763)

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Other than the debt securities in the PRC and overseas, the Group's concentration of credit risk by geographical location is mainly in Hong Kong.

As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of respective recognised financial assets as stated in the consolidated statement of financial position during the year.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Among the respective recognised financial assets as stated in the consolidated statement of financial position, the directors consider that financial assets at FVTPL, financial assets at FVTOCI, debt investments at amortised cost, reverse repurchase agreements, accounts receivable, other receivables and bank balances represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has monitoring procedures in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model. In this regard, the directors of the Company consider that the Group's credit risk is sufficiently managed.

The credit risk on bank balances is limited because the counterparties are with high credit ratings assigned by well-known credit-rating agencies.

The management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group would assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

As described in more details in note 22, the credit risk on accounts receivable is managed through daily monitoring of the outstanding exposures from individual clients, margin values and realisable values of individual client's securities. The Group has concentration of credit risk to ten largest securities margin clients' exposure representing 71% (2022: 68%) of the total loans to margin clients as at 31 December 2023. The balances due from the ten largest securities margin clients were approximately HK$333,014,000 (2022: HK$359,729,000), of which the amount is secured by clients' securities with an aggregate fair value of HK$1,191,121,000 (2022: HK$1,438,169,000). Apart from the exposures to ten largest margin clients' exposure mentioned above, the directors of the Company consider that the concentration of credit risk is limited due to the customer base being large and unrelated.

The credit risk for accounts receivable from clearing houses and brokers is considered as not material taking into account the good market reputations and high credit ratings of the counterparties.

The Group also invested in debt securities and other financial products which exposed it to credit risk. The management of the Group reviews on a regular basis the portfolio of the debt securities and other financial products to ensure that the concentration risk is at an acceptable level. The directors of the Company consider that the credit risk relating to the debt securities and other financial products is closely monitored.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table details the aggregate investment grade of debt securities, held by the Group, as rated by well-known rating agencies.

	As at 31 December 2023	As at 31 December 2022
Portfolio by issuer rating		
Debt securities		
AAA to A-	**36.1%**	23.6%
BBB+ to BBB-	**20.5%**	13.1%
BB+ and below	**0%**	0.2%
Non-rated *(note)*	**43.4%**	63.1%
	100%	100%

Note: Non-rated financial assets mainly represent debts instruments issued by special purpose entities, banks and other financial institutions and large corporations in the industries of industrial and construction, real estate, chemicals, metals and mining, transportation, and trade and retail.

Impairment assessment policies

The Group's policy requires the review of individual outstanding amounts at least monthly or more regularly depending on individual circumstances or market condition.

The risk management department is responsible for developing and maintaining the processes for measuring ECL, the impairment requirements under HKFRS 9. The ECL are assessed by the Group on quarterly basis. The Group applies simplified approach to measure ECL on accounts receivable (except for secured margin loans); and general approach to measure ECL on secured margin loans and other financial assets accounted for at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment policies (Continued)

Definition of Stage 1, Stage 2 and Stage 3 are as below:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

The measurement of ECL adopted by the management involves judgements, assumptions and estimations as follows:

- Determination of the criteria for significant increase in credit risk;

- Selection of the appropriate models and assumptions;

- Establishment of relative probability weightings for forward-looking scenarios.

Measurement of ECL

The ECL are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

PD represents an estimate of the likelihood of default of a borrower on its financial obligation over a given horizon, i.e. over the next 12 months or over the remaining lifetime. For secured margin loans, the Group determines PD by using historical default rate. For other financial assets at amortised cost and FVTOCI, the external credit ratings and related PD are taken into consideration.

LGD represents an estimate of the loss on default. For secured margin loans, LGD is determined based on factors including the realisation value of collateral and historical loss rate. For other financial assets at amortised cost and FVTOCI, LGD is determined based on assessed publicly available information from credit-rating agencies.

EAD represents the amounts expected to be owed at the time of default over the next 12 months or over the remaining lifetime taking into account expected changes in the exposure after the reporting date.

For financial instruments that are credit-impaired, the Group may also consider any other factors such as remedies available for recovery and the financial situation of the borrower.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and credit risk assessment, including forward-looking information. For secured margin loans, the number of days past due and loan-to-collateral value ("LTV") are used to determine significant increase in credit risk. For other financial assets, the number of days past due is used as determinant of credit risk. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

Forward looking information

The estimation of credit loss under all stages is taking into consideration of forward looking information. The Group identifies the key economic driver impacting credit risk and ECL to be the growth rate of domestic GDP. The Group applied the probability weighted scenarios for incorporating the forward looking information. HK real GDP, HK CPI, HK unemployment rate, Hang Seng index and 3-month HIBOR has been used in determining the probability-weighting of each of the optimistic scenario, base case scenario and pessimistic scenario. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

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

Internal credit rating	Description	Accounts receivable (except for secured margin loans)	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payment has been overdue for more than 30 days (secured margin loans: LTV over 75% and margin call less than 30 days	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (secured margin loans: LTV over 100% and overdue for more than 30 days)	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2023 HK$	Gross carrying amount 2022 HK$
Debt investments at fair value through other comprehensive income	*17*	BBB- or above	Low risk	12-month ECL	**1,804,356,996**	438,800,983
Debt investments at amortised cost	*18*	A- or above	Low risk	12-month ECL	**278,220,931**	215,053,375
Reverse repurchase agreements	*19*	N/A	Low risk	12-month ECL	**93,409,143**	93,215,541
Secured margin loans	*22*	N/A	Low risk	12-month ECL	**257,515,644**	244,776,982
			Doubtful	Lifetime ECL (not credit impaired)	**50**	134,815,108
			Loss	Credit impaired	**1,128,307,448**	1,068,881,332
					1,385,823,142	1,448,473,422
Accounts receivable (except for secured margin loans)	*22*	N/A	*(Note 2)*	Lifetime ECL (not credit impaired)	**542,702,925**	634,998,486
				Lifetime ECL (credit-impaired)	**1,630,548**	2,707,285
					544,333,473	637,705,771
Bank balances – trust accounts	*23*	BBB or above	N/A	12-month ECL	**3,420,149,778**	2,874,533,585
Bank balances – general accounts and cash	*23*	BBB or above	N/A	12-month ECL	**1,892,147,583**	2,703,948,516
Deposits and other receivables	*21*	N/A	*(Note 1)*	12-month ECL	**319,730,461**	180,003,492

Notes:

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

	2023 Past due HK$	2023 Not past due/ Repayable on demand HK$	2023 Total HK$	2022 Past due HK$	2022 Not past due/ Repayable on demand HK$	2022 Total HK$
Deposits and other receivables	**–**	**319,730,461**	**319,730,461**	–	180,003,492	180,003,492

2. For accounts receivable (except for secured margin loans), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by aging status.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's credit risk exposure of financial assets according to the stage of ECL for which an impairment allowance is recognised as follows:

As at 31 December 2023

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
Debt investments at fair value through other comprehensive income				
Fair value	1,804,356,996	–	–	1,804,356,996
Loss allowance	(1,182,582)	–	–	(1,182,582)
Debt investments at amortised cost				
Gross carrying amount	278,220,931	–	–	278,220,931
Loss allowance	(97,965)	–	–	(97,965)
Net carrying amount	278,122,966	–	–	278,122,966
Reverse repurchase agreements				
Gross carrying amount	93,409,143	–	–	93,409,143
Loss allowance	(120,338)	–	–	(120,338)
Net carrying amount	93,288,805	–	–	93,288,805
Secured margin loans				
Gross carrying amount	257,515,644	50	1,128,307,448	1,385,823,142
Loss allowance	(1,687,894)	(3)	(914,850,491)	(916,538,388)
Net carrying amount	255,827,750	47	213,456,957	469,284,754
Bank balances – trust accounts				
Gross carrying amount	3,420,149,778	–	–	3,420,149,778
Loss allowance	(787,655)	–	–	(787,655)
Net carrying amount	3,419,362,123	–	–	3,419,362,123

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2022

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
Debt investments at fair value through other comprehensive income				
Fair value	438,800,983	–	–	438,800,983
Loss allowance	(244,243)	–	–	(244,243)
Debt investments at amortised cost				
Gross carrying amount	215,053,375	–	–	215,053,375
Loss allowance	(99,421)	–	–	(99,421)
Net carrying amount	214,953,954	–	–	214,953,954
Reverse repurchase agreements				
Gross carrying amount	93,215,541	–	–	93,215,541
Loss allowance	(268,374)	–	–	(268,374)
Net carrying amount	92,947,167	–	–	92,947,167
Secured margin loans				
Gross carrying amount	244,776,982	134,815,108	1,068,881,332	1,448,473,422
Loss allowance	(1,590,716)	(1,980,283)	(913,282,994)	(916,853,993)
Net carrying amount	243,186,266	132,834,825	155,598,338	531,619,429
Bank balances – trust accounts				
Gross carrying amount	2,874,533,585	–	–	2,874,533,585
Loss allowance	(440,284)	–	–	(440,284)
Net carrying amount	2,874,093,301	–	–	2,874,093,301

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for debt investments at fair value through other comprehensive income is as follow:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 31 December 2021 and 1 January 2022	–	–	–	–
Impairment losses recognised	244,243	–	–	244,243
As at 31 December 2022 and 1 January 2023	244,243	–	–	244,243
Impairment losses recognised	938,339	–	–	938,339
As at 31 December 2023	1,182,582	–	–	1,182,582

Movement in the allowances for impairment for debt investments at amortised cost is as follow:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 31 December 2021 and 1 January 2022	–	–	–	–
Impairment losses recognised	99,421	–	–	99,421
As at 31 December 2022 and 1 January 2023	99,421	–	–	99,421
Impairment losses reversed	(1,456)	–	–	(1,456)
As at 31 December 2023	97,965	–	–	97,965

Movement in the allowances for impairment for reverse repurchase agreements is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 31 December 2021 and 1 January 2022	340,278	–	–	340,278
Impairment losses reversed	(71,904)	–	–	(71,904)
As at 31 December 2022 and 1 January 2023	268,374	–	–	268,374
Impairment losses reversed	(148,036)	–	–	(148,036)
As at 31 December 2023	120,338	–	–	120,338

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for bank balances – trust accounts is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 31 December 2021 and 1 January 2022	432,290	–	–	432,290
Impairment losses recognised	7,994	–	–	7,994
As at 31 December 2022 and 1 January 2023	440,284	–	–	440,284
Impairment losses recognised	347,371	–	–	347,371
As at 31 December 2023	787,655	–	–	787,655

As at 31 December 2023, the Group measured the loss allowance for bank balances – trust accounts of Stage 1 amounting to HK$787,655 (2022: HK$440,284), which was contributed by the fixed deposits in the trust accounts with a gross carrying amount of HK$1,444.7 million (2022: HK$1,589.5 million).

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for secured margin loans is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1 January 2022	4,894,031	536,568	829,636,959	835,067,558
Changes due to financial instruments recognised as at 1 January 2022				
– Transfer to Stage 3	(33,100)	(536,567)	569,667	–
– Transfer to Stage 2	(1,132,194)	1,132,194	–	–
– Transfer to Stage 1	1,497,421	–	(1,497,421)	–
Impairment losses recognised	7,393	848,088	94,180,875	95,036,356
Impairment losses reversed	(4,162,404)	–	(9,457,499)	(13,619,903)
Written-off	–	–	(149,587)	(149,587)
New financial assets originated or purchased	519,569	–	–	519,569
As at 31 December 2022 and 1 January 2023	1,590,716	1,980,283	913,282,994	916,853,993
Changes due to financial instruments recognised as at 1 January 2023				
– Transfer to Stage 3	–	(1,823,156)	1,823,156	–
– Transfer to Stage 1	154,023	(154,023)	–	–
Impairment losses recognised	140,192	–	30,556,200	30,696,392
Impairment losses reversed	(1,370,864)	(3,103)	(24,078,583)	(25,452,550)
Written-off	–	–	(6,733,276)	(6,733,276)
New financial assets originated or purchased	1,173,827	2	–	1,173,829
As at 31 December 2023	1,687,894	3	914,850,491	916,538,388

The overall decrease of the ECL allowance was HK$0.3 million (2022: increase of HK$81.9 million) for the year ended 31 December 2023.

The movement was mainly driven by secured margin loans of Stage 3. Due to the fluctuation of the stock market, the collateral valuations fell short of the related margin accounts. Additional loss allowance of HK$30.6 million (2022: HK$94.2 million) was made for secured margin loans with a gross carrying amount of HK$1,128.3 million (2022: HK$1,068.9 million) at Stage 3.

This increase had been set off by write-off of secured margin loans with a gross carrying amount of HK$6.7 million (2022: HK$0.1million) and reversal of impairment losses for secured margin loans with a gross carrying amount of HK$1,193.3 million (2022: HK$1,124.3 million) at stage 3.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's credit risk exposure of accounts receivable (except for secured margin loans) for which an impairment allowance is recognised as follows based on simplified approach:

As at 31 December 2023

	Lifetime ECL (not credit-impaired) HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Accounts receivable arising from the business of dealing in securities (except for secured margin loans)			
Gross carrying amount	252,229,509	1,480,548	253,710,057
Loss allowance	(2,367)	(897,591)	(899,958)
Net carrying amount	252,227,142	582,957	252,810,099
Accounts receivable arising from the business of dealing in futures and options contracts			
Gross carrying amount	70,695,148	–	70,695,148
Loss allowance	–	–	–
Net carrying amount	70,695,148	–	70,695,148
Accounts receivable arising from the business of corporate finance			
Gross carrying amount	11,409,121	–	11,409,121
Loss allowance	–	–	–
Net carrying amount	11,409,121	–	11,409,121
Accounts receivable arising from the business of asset management			
Gross carrying amount	8,014,969	150,000	8,164,969
Loss allowance	(1,681,387)	(150,000)	(1,831,387)
Net carrying amount	6,333,582	–	6,333,582
Accounts receivable arising from the business of financial products and investments			
Gross carrying amount	200,354,178	–	200,354,178
Loss allowance	–	–	–
Net carrying amount	200,354,178	–	200,354,178
Total			
Gross carrying amount	542,702,925	1,630,548	544,333,473
Loss allowance	(1,683,754)	(1,047,591)	(2,731,345)
Net carrying amount	541,019,171	582,957	541,602,128

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2022

	Lifetime ECL (not credit-impaired) HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Accounts receivable arising from the business of dealing in securities (except for secured margin loans)			
Gross carrying amount	351,726,583	2,557,285	354,283,868
Loss allowance	(1,062)	(1,260,877)	(1,261,939)
Net carrying amount	351,725,521	1,296,408	353,021,929
Accounts receivable arising from the business of dealing in futures and options contracts			
Gross carrying amount	184,100,056	–	184,100,056
Loss allowance	–	–	–
Net carrying amount	184,100,056	–	184,100,056
Accounts receivable arising from the business of corporate finance			
Gross carrying amount	4,101,017	–	4,101,017
Loss allowance	–	–	–
Net carrying amount	4,101,017	–	4,101,017
Accounts receivable arising from the business of asset management			
Gross carrying amount	10,293,983	150,000	10,443,983
Loss allowance	(456,643)	(150,000)	(606,643)
Net carrying amount	9,837,340	–	9,837,340
Accounts receivable arising from the business of financial products and investments			
Gross carrying amount	84,776,847	–	84,776,847
Loss allowance	–	–	–
Net carrying amount	84,776,847	–	84,776,847
Total			
Gross carrying amount	634,998,486	2,707,285	637,705,771
Loss allowance	(457,705)	(1,410,877)	(1,868,582)
Net carrying amount	634,540,781	1,296,408	635,837,189

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for accounts receivable (except for secured margin loans) is as follows:

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$	HK$	HK$
As at 31 December 2021 and 1 January 2022	5,704	1,820,848	1,826,552
Impairment losses recognised	456,643	933,990	1,390,633
Impairment losses reversed	(4,642)	(1,139,094)	(1,143,736)
Written-off	–	(204,867)	(204,867)
As at 31 December 2022 and 1 January 2023	457,705	1,410,877	1,868,582
Impairment losses recognised	1,226,049	–	1,226,049
Impairment losses reversed	–	(363,286)	(363,286)
As at 31 December 2023	1,683,754	1,047,591	2,731,345

Accounts receivable arising from the business of dealing in securities which are credit-impaired represent accounts receivable from cash clients when clients fail to settle according to settlement terms after taking into consideration the recoverability of collateral.

Accounts receivable arising from the business of asset management which are credit-impaired represent accounts receivable from asset management clients which have not yet been settled by clients over 1 year and the client encountered financial difficulty on the repayment.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from debt securities held by the Group, is shown below.

	2023 HK$	2022 HK$
Carrying amount	**6,564,329,687**	3,243,805,182
Concentration by sector		
Banks	**1,434,442,973**	422,412,028
Other financial institutions	**1,278,253,508**	436,870,068
Insurance	**32,090,806**	–
Government	**110,411,750**	120,195,374
Corporate:	**3,634,012,006**	2,264,327,712
Real estate	**1,062,345,335**	1,119,004,125
Chemicals	**393,551,432**	131,245,953
Customer services	**88,800,860**	305,487,197
Industrial and construction	**990,316,308**	317,608,974
Information technology	**22,512,948**	14,216,230
Transportation	**171,779,331**	125,243,954
Utilities	**508,594,792**	251,521,279
Metals and mining	**387,329,736**	–
Others	**8,781,264**	–
Retail	**75,118,644**	–
	6,564,329,687	3,243,805,182
Concentration by location		
Mainland China	**2,680,085,765**	1,722,191,352
Europe	**668,325,587**	162,058,311
Hong Kong	**1,509,823,259**	544,706,206
Other parts in Asia	**162,928,178**	67,898,303
America	**1,515,130,572**	699,735,508
Australia	**28,036,326**	47,215,502
	6,564,329,687	3,243,805,182

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Concentration by location for debt securities is based on the country of domicile of the issuer of the security.

Other than concentration of credit risk on bank balances, amounts due from clearing houses and brokers, top ten margin clients' exposure described above, and debt securities investment, the Group had no significant concentration of credit risk by any single debtor, with exposure spread over a number of counterparties.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The directors of Company consider that the liquidity risk of the Group is remote because the Group has sufficient assets to repay the liabilities when demanded.

A number of the Group's activities in Hong Kong are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSFO").

The Group has also put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the HKSFO.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the earliest date on which the Group can be required to pay with taking into account the repayment on demand clause. The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay. Bank borrowings and repurchase agreements with a repayment on demand clause and bank loans that do not meet covenant conditions are classified as current liabilities. The directors of the Company do not believe that it is probable the banks will exercise their discretionary rights to demand immediate repayment.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand and less than one month HK$	More than 1 month to 1 year HK$	Over 1 year to 5 years HK$	Total contractual undiscounted cash flows HK$	Carrying amount HK$
At 31 December 2023						
Accounts payable	N/A	3,510,257,387	–	–	3,510,257,387	3,510,257,387
Financial liabilities held for trading	N/A	11,063,700	525,974	–	11,589,674	11,589,674
Financial liabilities designated at fair value through profit or loss (including interest payable)	N/A	–	19,070,163	–	19,070,163	19,070,163
Repurchase agreements (including interest payable)	5.43%	3,341,795,320	–	877,786,979	4,219,582,299	4,218,786,294
Bank borrowings (including interest payable)	6.35%	2,194,354,511	–	–	2,194,354,511	2,184,584,146
Notes (including interest payable)	5.43%	23,555,526	147,513,857	–	171,069,383	168,281,769
Lease liabilities	5%	1,656,463	18,227,393	32,126,299	52,010,155	48,656,660
Other payables	N/A	1,925,418	–	–	1,925,418	1,925,418
Amount due to a related party	N/A	4,723,189	–	–	4,723,189	4,723,189
Bonds	2.00%	–	2,091,818,575	–	2,091,818,575	2,087,232,051
Other liabilities	N/A	140,274,408	–	–	140,274,408	140,274,408
Total		9,229,605,922	2,277,155,962	909,913,278	12,416,675,162	12,395,381,159

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand and less than one month HK$	More than 1 month to 1 year HK$	Over 1 year to 5 years HK$	Total contractual undiscounted cash flows HK$	Carrying amount HK$
At 31 December 2022						
Accounts payable	N/A	3,150,506,807	–	–	3,150,506,807	3,150,506,807
Financial liabilities held for trading	N/A	20,479,079	–	–	20,479,079	20,479,079
Financial liabilities designated at fair value through profit or loss (including interest payable)	N/A	–	30,447,343	–	30,447,343	30,447,343
Repurchase agreements (including interest payable)	4.58%	1,552,672,004	405,874,297	–	1,958,546,301	1,958,527,621
Bank borrowings (including interest payable)	5.41%	1,004,883,446	–	–	1,004,883,446	1,000,907,152
Lease liabilities	4%	3,178,275	13,322,070	–	16,500,345	16,305,095
Other payables	N/A	1,543,136	–	–	1,543,136	1,543,136
Amount due to a related party	N/A	1,316,280	–	–	1,316,280	1,316,280
Bonds	2.00%	–	41,902,882	2,070,920,794	2,112,823,676	2,079,992,337
Other liabilities	N/A	180,720,209	–	–	180,720,209	180,720,209
Total		5,915,299,236	491,546,592	2,070,920,794	8,477,766,622	8,440,745,059

Fair value measurement of financial instruments

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

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

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs are unobservable inputs for the asset or liability.

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 31 December 2023 and 2022.

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

The following tables give information about how the fair values of financial assets and financial liabilities measured at fair value are determined including their fair value hierarchy, valuation technique(s) and key inputs used.

	Fair value as at			
	31 December 2023 HK$	31 December 2022 HK$	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
1) Financial assets at fair value through profit or loss				
Equity securities				
– Traded on stock exchanges	**141,748,087**	148,741,035	Level 1	Quoted price in active markets
Debt securities				
– Traded on stock exchanges and unlisted	**3,590,194,429**	1,880,086,381	Level 2	Quoted from brokers or market makers
– Unlisted	**178,122,391**	–	Level 2	Recent transaction price
– Unlisted	**713,532,906**	709,963,865	Level 3	Fair value of collaterals *(note a)*
Funds				
– Unlisted public	**192,220,467**	43,327,885	Level 1	Quoted price in active market
– Unlisted private	**103,373,500**	36,536,811	Level 2	Observable quoted price of underlying investment in active market
– Unlisted private	**15,159,814**	24,726,511	Level 3	Direct market comparison approach with NAV of fund provided by external counterparty *(note b)*
Derivatives	**567,333**	–	Level 2	Return calculated by relevant index and quoted market prices
	4,934,918,927	2,843,382,488		

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

	Fair value as at 31 December 2023 HK$	Fair value as at 31 December 2022 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Financial assets at fair value through other comprehensive income				
Equity instruments designated at FVTOCI				
– Traded on stock exchanges and unlisted	**2,580,728,306**	1,735,889,091	Level 2	Quoted from brokers or market makers
Debt securities at FVTOCI				
– Traded on stock exchanges and unlisted	**1,804,356,996**	438,800,983	Level 2	Quoted from brokers or market makers
	4,385,085,302	2,174,690,074		
3) Financial liabilities held for trading				
Short position in listed debt securities	**11,063,700**	20,479,079	Level 2	Quoted from brokers or market makers
Derivative	**525,974**	–	Level 2	Return calculated by relevant index
	11,589,674	20,479,079		
4) Financial liabilities designated at fair value through profit or loss				
Unlisted structured products (with the underlying investment related to unlisted fund)	**19,070,163**	30,447,343	Level 2	Observable quoted price of underlying investments in active market
	19,070,163	30,447,343		

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Notes:

(a) The unobservable inputs are the fair value of collaterals. Due to limitation of public information, management has exercised significant judgement in determining the fair value of collaterals.

(b) The directors of the Company determined that the reported net asset value of the unlisted investment fund represents the fair value of the fund. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in positive relationship that the higher the reported net asset value adopted in the valuation assessment, the higher the fair value would be resulted.

There were no transfers between level 1 and level 2 in 2022 and 2023. The Group assumes all transfers took place at the end of the financial year.

Reconciliation of level 3 fair value measurements

As at 31 December

	2023		2022	
	Financial liabilities at fair value through profit or loss HK$	**Financial assets at fair value through profit or loss HK$**	Financial liabilities at fair value through profit or loss HK$	Financial assets at fair value through profit or loss HK$
Opening balance	**–**	**734,690,376**	(1,066,372)	743,969,178
Total gains or losses recognised in profit or loss during the year	**–**	**(5,997,656)**	(3,878,040)	(9,278,802)
Settled during the year	**–**	**–**	4,944,412	–
Closing balance	**–**	**728,692,720**	–	734,690,376
Total gains or losses for the year included in profit or loss attributable to the change in unrealised gains or losses of assets/liabilities held at the end of the year	**–**	**(132,608,756)**	–	(135,604,782)

The gains or losses arising from the remeasurement of the financial assets and liabilities at fair values through profit or loss are presented in the "Net trading and investment income" line item in the consolidated statement of profit or loss.

40. FINANCIAL INSTRUMENTS *(Continued)*

Derivative financial instruments settled daily

	As at 31 December 2023		
	Notional amount	Fair value Assets	Liabilities
	HK$	HK$	HK$
Foreign currency exchange futures	**292,942,112**	**–**	**(2,434,259)**
Interest rate futures	**156,310,000**	**–**	**(5,691,398)**
Total	**449,252,112**	**–**	**(8,125,657)**
Less: settlement		**–**	**8,125,657**
Net position		**–**	**–**

	As at 31 December 2022		
	Notional amount	Fair value Assets	Liabilities
	HK$	HK$	HK$
Foreign currency exchange futures	346,460,760	–	(1,672,719)
Interest rate futures	350,905,500	933,615	–
Total	697,366,260	933,615	(1,672,719)
Less: settlement		(933,615)	1,672,719
Net position		–	–

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures traded through CISI Futures, were settled daily with the broker. Accordingly, the net position of the above derivative contracts was nil as at 31 December 2023 and 2022.

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements

The disclosures set out in the table below include financial assets that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements and Global Master Repurchase Agreements ("GMRA") for total return swaps, foreign currency forward and sale and repurchase agreements.

The Group's total return swaps transactions and foreign currency forward that are not transacted on an exchange are entered into under ISDA Master Agreements. The Group's sale and repurchase transactions are covered by GMRA with netting terms similar to those of ISDA Master Agreements. The ISDA Master Agreements and GMRA do not meet the criteria for offsetting in the statements of financial position. However, they create a right of set-off of different contracts that is enforceable only following an event of default, insolvency and bankruptcy of the Group or the counterparties. In such circumstances, all outstanding contracts under the agreements are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all contracts.

In addition, the Group pledged collateral in the form of cash and/or securities in respect of its total return swaps transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral pledged must be returned on maturity of the transactions.

Under the agreement of continuous net settlement between the Group and HKSCC and respective agreements between the Group and brokers, the Group has a legally enforceable right to set off money obligations receivable and payable with HKSCC and respective brokers on the same settlement date on a net basis. The Group intends to settle these balances on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statements of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

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

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2023

	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable arising from the business of dealing in securities	850,410,106	(128,315,253)	722,094,853	(172,212,679)	(407,387,403)	142,494,771
Financial assets pledged as collaterals for repurchase agreements (as disclosed in note 38)	5,390,991,931	–	5,390,991,931	(4,218,786,294)	–	1,172,205,637
Reverse repurchase agreements	93,288,805	–	93,288,805	–	(93,288,805)	–

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	3,407,067,605	(128,315,253)	3,278,752,352	(172,212,679)	(8,012,144)	3,098,527,529
Repurchase agreements	4,218,786,294	–	4,218,786,294	(4,218,786,294)	–	–

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

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2022

	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable arising from the business of dealing in securities	908,377,029	(23,735,671)	884,641,358	(36,561,923)	(509,609,136)	338,470,299
Financial assets pledged as collaterals for repurchase agreements (as disclosed in note 38)	2,475,696,656	–	2,475,696,656	(1,958,527,621)	–	517,169,035
Reverse repurchase agreements	92,947,167	–	92,947,167	–	(92,947,167)	–

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Collateral received HK$	Net amount HK$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	2,842,451,294	(23,735,671)	2,818,715,623	(36,561,923)	(13,704,213)	2,768,449,487
Repurchase agreements	1,958,527,621	–	1,958,527,621	(1,958,527,621)	–	–

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds HK$ *(Note 31)*	Notes HK$ *(Note 31)*	Bank borrowings HK$ *(Note 30)*	Financial liabilities at fair value through profit or loss HK$ *(Note 25)*	Repurchase agreements HK$ *(Note 29)*	Account payable HK$ *(Note 26)*	Other liabilities HK$ *(Note 45)*	Lease liabilities HK$ *(Note 32)*	Total HK$
At 1 January 2023	2,079,992,337	–	1,000,907,152	50,926,422	1,958,527,621	3,150,506,807	180,720,209	16,305,095	8,437,885,643
Financing cash flow:									
– Borrowing raised	–	–	6,810,000,000	–	–	–	–	–	6,810,000,000
– Repayments of borrowings	–	–	(5,630,000,000)	–	–	–	–	–	(5,630,000,000)
– Proceeds from issue of notes	–	287,338,440	–	–	–	–	–	–	287,338,440
– Redemption of notes	–	(120,094,140)	–	–	–	–	–	–	(120,094,140)
– Interest paid	(36,820,583)	(1,565,377)	(74,403,894)	–	(108,930,764)	(135,696)	–	–	(221,856,314)
– Capital element of lease rentals paid	–	–	–	–	–	–	–	(22,858,081)	(22,858,081)
– Interest element of lease rental paid	–	–	–	–	–	–	–	(1,535,395)	(1,535,395)
– Withdrawals from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	(35,859,286)	–	(35,859,286)
Operating cash flow:									
– Change in financial liabilities at fair value through profit or loss	–	–	–	(20,266,585)	–	–	–	–	(20,266,585)
– Change in repurchase agreements	–	–	–	–	2,206,702,954	–	–	–	2,206,702,954
– Change in accounts payable	–	–	–	–	–	359,750,580	–	–	359,750,580
Fair value changes of interests held by third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	(4,586,515)	–	(4,586,515)
Finance cost	44,060,297	2,602,846	78,080,888	–	162,486,483	135,696	–	1,535,395	288,901,605
Other non-cash movements	–	–	–	–	–	–	–	55,209,646	55,209,646
At 31 December 2023	2,087,232,051	168,281,769	2,184,584,146	30,659,837	4,218,786,294	3,510,257,387	140,274,408	48,656,660	12,388,732,552

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

	Bonds HK$ *(Note 31)*	Bank borrowings HK$ *(Note 30)*	Financial liabilities at fair value through profit or loss HK$ *(Note 25)*	Repurchase agreements HK$ *(Note 29)*	Account payable HK$ *(Note 26)*	Other liabilities HK$ *(Note 45)*	Lease liabilities HK$ *(Note 32)*	Amount due to the immediate holding company HK$	Total HK$
At 1 January 2022	2,352,317,863	530,146,916	65,396,077	1,970,119,726	4,786,178,972	238,046,664	52,992,443	2,300,852,500	12,296,051,161
Financing cash flow:									
– Borrowing raised	–	1,490,000,000	–	–	–	–	–	–	1,490,000,000
– Repayments of borrowings	–	(1,020,000,000)	–	–	–	–	–	–	(1,020,000,000)
– Repayment of loan from the immediate holding company	–	–	–	–	–	–	–	(2,300,852,500)	(2,300,852,500)
– Repurchase of bonds	(274,774,500)	–	–	–	–	–	–	–	(274,774,500)
– Interest paid	(46,142,254)	(22,622,356)	–	(33,790,069)	(198,682)	–	–	(67,013,952)	(169,767,313)
– Capital element of lease rentals paid	–	–	–	–	–	–	(36,687,348)	–	(36,687,348)
– Interest element of lease rental paid	–	–	–	–	–	–	(1,451,946)	–	(1,451,946)
– Contribution from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	–	–	–
– Withdrawals from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	(51,646,489)	–	–	(51,646,489)
Operating cash flow:									
– Change in financial liabilities at fair value through profit or loss	–	–	(14,508,416)	–	–	–	–	–	(14,508,416)
– Change in repurchase agreements	–	–	–	(19,128,271)	–	–	–	–	(19,128,271)
– Change in accounts payable	–	–	–	–	(1,635,672,165)	–	–	–	(1,635,672,165)
Fair value changes of interests held by third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	(13,641,539)	–	–	(13,641,539)
Finance cost	48,591,228	23,382,592	38,761	41,326,235	198,682	–	1,451,946	67,013,952	182,003,396
Investing cash flow:									
– Deemed acquisition of a consolidated structured entity	–	–	–	–	–	1,514,669	–	–	1,514,669
Other non-cash movements	–	–	–	–	–	6,446,904	–	–	6,446,904
At 31 December 2022	2,079,992,337	1,000,907,152	50,926,422	1,958,527,621	3,150,506,807	180,720,209	16,305,095	–	8,437,885,643

43. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following material transactions with related parties.

(a) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 11(a), the remuneration of other members of key management during the years ended 31 December 2023 and 2022 was as follows:

	2023	2022
	HK$	HK$
Short-term benefits	**33,591,239**	38,546,832
Post-employment benefits	**142,500**	183,000

(b) Right of trading of RMB denominated securities in the PRC

During the years ended 31 December 2023 and 2022, the Group invests in RMB denominated securities in the PRC using the approved quota under the PRC RMB Qualified Foreign Institutional Investor program of the immediate holding company for consideration of HK$1 per annum.

(c) Consultancy services from a fellow subsidiary

Pursuant to service agreement entered into between the Company and Industrial Securities (Shenzhen), dated 27 September 2016 (the "Service Agreement"), Industrial Securities (Shenzhen) agreed to provide consultancy services to the Company, including the provision of consultancy service on economic information, and assisting the Company in collecting and analysing information on macroeconomics, industry news and market information in the PRC, at cost, plus a mark up of 6%. On 3 April 2018, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement"), pursuant to which the Company required broader services from Industrial Securities (Shenzhen) including provision of services and support to the Group's clients in core regions in the PRC, brand establishment and promotion and provision of cross-border information technology support. Details of the Service Agreement and the Supplemental Service Agreement are set out in section headed "Connected Transactions" in the Prospectus and in the announcement dated 3 April 2018 respectively.

43. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Consultancy services from a fellow subsidiary *(Continued)*

On 3 November 2021, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement 2021"), pursuant to which, Industrial Securities (Shenzhen) will provide the new services to the Group: (i) logistics management services to the Group, including but not limited to provision of client visits, answering customer service calls, and financial settlement services; (ii) information consultancy services (excluding licensing information consultancy services), including but not limited to the provision of consultancy services on economic information and delivery and consultancy services on business information; (iii) corporate management services, including but not limited to personnel training services; (iv) software development services; and (v) information technology consultancy services, including but not limited to the provision of cross-border information technology support.

On 3 November 2021, the Company and Industrial Securities (Shenzhen) renewed the Service Agreement (as amended by the Supplement Service Agreement 2021) (the "Renewal Service Agreement") for a further term of three years from 1 January 2022 to 31 December 2024. Details of the Supplemental Service Agreement 2021 and the Renewal Service Agreement are set out in the announcement dated 3 November 2021.

During the year ended 31 December 2023, the Company paid a consultancy service fee of HK$19,133,840 (2022: HK$25,193,659) under the Service Agreement.

(d) Right of use of trademark

During the years ended 31 December 2023 and 2022, the Group was granted by the immediate holding company a non-transferable and non-assignable license to use its registered trademarks for the Group's business and any related businesses for consideration of HK$1 per annum.

(e) Investment management and advisory services to the Industrial Securities Group

On 3 November 2021, the Company and Industrial Securities entered into the master agreement (the "Master Agreement"), pursuant to which the Group conditionally agreed that it will provide the investment management and advisory services to the Industrial Securities Group for a term of three years from 1 January 2022 to 31 December 2024. No such services were provided by the Group for the year ended 31 December 2023 and 2022. Details of the Master Agreement are set out in the announcement dated 3 November 2021.

(f) Notes subscribed by a director of the Company

During the year ended 31 December 2023, a director of the Company has subscribed the notes amounting to HKD18,200,000 and USD400,000 issued by the Company, respectively, of which HKD9,900,000 and USD200,000 remained outstanding as at 31 December 2023 (2022: nil).

44. SUBSIDIARIES

The particulars of the Group's subsidiaries and consolidated investment funds are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid up share capital	Equity attributable to the Group at 31 December		Principal activities
				2023	2022	
				%	%	
Directly owned						
China Industrial Securities International Brokerage Limited	Hong Kong	Hong Kong	HK$3,500,000,000	**100**	100	Securities dealing and broking and securities margin financing
China Industrial Securities International Futures Limited	Hong Kong	Hong Kong	HK$50,000,000	**100**	100	Futures and options contracts broking
China Industrial Securities International Capital Limited	Hong Kong	Hong Kong	HK$100,000,000	**100**	100	Corporate finance services
China Industrial Securities International Asset Management Limited	Hong Kong	Hong Kong	HK$60,000,000	**100**	100	Advising on securities and asset management services
China Industrial Securities International Custody Limited *(note a)*	Hong Kong	Hong Kong	HK$10,000,000	**100**	–	Not yet commenced business
China Industrial Securities International Investment Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Investment holding
China Industrial Securities International Wealth Management Limited	Hong Kong	Hong Kong	HK$1,000,000	**100**	100	Wealth management services
Indirectly owned						
CISI Investment Limited	British Virgin Islands	Hong Kong	US$2,500,000	**100**	100	Investment trading
CISI Capital Management Limited	British Virgin Islands	Hong Kong	US$1	**100**	100	Investment holding

44. SUBSIDIARIES *(Continued)*

Name of investment fund	Place of incorporation	Place of operation	Class of share	Effective interest holding at 31 December 2023 %	2022 %	Principal activities
Indirectly owned						
IS Investment Fund Segregated Portfolio Company – CIS Resources Fund Segregated Portfolio ("CISRF") *(note b)*	Cayman Islands	Hong Kong	Participating	**100**	100	Investment trading
IS Investment Fund Segregated Portfolio Company – CISI Stable Growth Bond Fund Segregated Portfolio ("CISISF") *(note b)*	Cayman Islands	Hong Kong	Participating	**90.67**	86.50	Investment trading
IS Investment Fund Segregated Portfolio Company – WVCIS Value Growth Fund Segregated Portfolio ("CISWF") *(note b)*	Cayman Islands	Hong Kong	Participating	**51.21**	48.87	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS The Belt and Road PE Fund I ("CISBF") *(note b)*	Cayman Islands	Hong Kong	Participating	**50**	50	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS New China Ever-growing Fund Segregated Portfolio ("CISNCEF") *(note b)*	Cayman Islands	Hong Kong	Participating	**–**	66.95	Investment trading

Notes:

(a) Incorporated during the year.

(b) China Industrial Securities International Asset Management Limited, a wholly-owned subsidiary of the Group, holds all management shares of IS Investment Fund Segregated Portfolio Company ("IS IFSPC"). China Industrial Securities International Asset Management Limited has been appointed as an investment manager of CISRF, CISISF, CISWF, CISBF and CISNCEF, under IS IFSPC. The Group holds significant participating shares in the above mentioned funds. The directors of the Company are of the opinion that CISRF, CISISF, CISWF and CISBF are regarded as consolidated structured entities of the Group as the Group is able to exercise control over its operation and has significant variable financial interests as at 31 December 2023 and 2022. During the year end 31 December 2023, the Group has fully redeemed the participating shares in CISNCEF and therefore lost control over this structured entity.

45. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including investment funds. For the investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of funds it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. During the year ended 31 December 2023, loss contributed by the consolidated investment funds (excluding third party interests as stated below), were HK$47,322,287 (2022: loss of HK$21,275,272). As at 31 December 2023, the total assets and total liabilities (excluding third party interests as stated below) of the consolidated investment funds, were HK$915,754,747 and HK$245,565,157 respectively (2022: HK$1,023,009,869 and HK$286,450,833 respectively).

Third-party interests in consolidated structured entities consist of third-party unit holders/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders/shareholders in consolidated investment funds that are subject to the actions of third-party unit holders/shareholders.

For the year ended 31 December 2023, changes in interests held by third-party unit holders/shareholders of HK$4,586,515 (2022: HK$13,641,539) in consolidated structured entities are included as other gains within other gains or losses in the consolidated statement of profit or loss and other comprehensive income and the interests held by third-party unit holders/shareholders amounted to HK$140,274,408 (2022: HK$180,720,209) as at 31 December 2023 are included in other liabilities in the consolidated statement of financial position.

46. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

A wholly-owned subsidiary of the Company, China Industrial Securities International Asset Management Limited, serves as the investment manager of several investment funds, which are considered to be structured entities within the definition of HKFRS 12 *Disclosure of interests in other entities*. The directors of the Company are of the opinion that certain investment funds are regarded as unconsolidated structured entities as the Group does not hold any participating shares in the investment funds and is not able to exercise control over their operation, or it has no significant variable financial interest. Hence, they are not consolidated in the consolidated financial statements.

China Industrial Securities International Asset Management Limited receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities invest in a range of asset classes. The carrying values of the Group's interests in these unconsolidated structured entities as recognised in the consolidated statement of financial position as at 31 December 2023 is HK$5,238,084 (2022: HK$6,931,021) (included in accounts receivable) and the management fee and performance fee recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 is HK$11,701,465 (2022: HK$16,895,698). The net asset value of total assets under management for these funds amounts to approximately HK$5,274 million as at 31 December 2023 (2022: HK$4,778 million).

46. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest their capital, from third-party investors, in a portfolio of assets according to respective investment restrictions set out in the offering documentation in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, the portfolio of assets held by these unconsolidated structured entities are susceptible to market price risk and the performance of the investment manager.

Maximum exposure to loss

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is limited to the carrying amount mentioned as above.

Financial support

The Group has not provided financial support to any of its unconsolidated structured entities during the years ended 31 December 2023 and 2022, and has no contractual obligations or current intention of providing financial support in the future.

Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Group's interest in the unconsolidated structured entities.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$	2022 HK$
Non-current assets		
Property and equipment	**56,331,776**	32,924,177
Intangible assets	**5,687,423**	5,870,562
Investment in subsidiaries	**3,406,521,412**	3,265,043,417
Deposits, other receivables and prepayments	**6,331,109**	14,727,956
Deferred tax assets	**3,929,745**	2,191,554
	3,478,801,465	3,320,757,666
Current assets		
Tax receivable	**1,397,315**	2,785,328
Deposits, other receivables and prepayments	**6,096,966**	7,592,022
Amounts due from subsidiaries	**4,972,647,011**	3,209,176,454
Bank balances – general accounts and cash	**183,929,593**	554,277,914
	5,164,070,885	3,773,831,718
Current liabilities		
Accruals and other payables	**15,274,281**	20,865,150
Amounts due to a fellow subsidiary	**14,723,189**	1,316,280
Tax payable	**5,715,929**	–
Notes	**168,281,769**	–
Bonds	**2,087,232,051**	–
Bank borrowings	**2,184,584,146**	1,000,907,152
Lease liabilities	**19,349,190**	16,305,095
	4,495,160,555	1,039,393,677
Net current assets	**668,910,330**	2,734,438,041
Non-current liabilities		
Lease liabilities	**29,307,470**	–
Bonds	**–**	2,079,992,337
	29,307,470	2,079,992,337
Net assets	**4,118,404,325**	3,975,203,370
Equity		
Share capital	**400,000,000**	400,000,000
Share premium	**3,359,547,592**	3,359,547,592
Accumulated loss	**(1,083,585,088)**	(1,226,786,043)
Capital reserve	**442,441,821**	442,441,821
Equity attributable to holders of the ordinary shares	**3,118,404,325**	2,975,203,370
Equity attributable to holders of other equity instruments	**1,000,000,000**	1,000,000,000
Total equity	**4,118,404,325**	3,975,203,370

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

Movements in the Company's components of equity

	Share capital	Share premium	Capital reserve	Accumulated loss	Other equity instruments	Total
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2022	400,000,000	3,359,547,592	442,441,821	(878,233,453)	1,000,000,000	4,323,755,960
Loss and total comprehensive income for the year	–	–	–	(348,552,590)	–	(348,552,590)
At 31 December 2022	400,000,000	3,359,547,592	442,441,821	(1,226,786,043)	1,000,000,000	3,975,203,370
Profit and total comprehensive income for the year	–	–	–	143,200,955	–	143,200,955
At 31 December 2023	400,000,000	3,359,547,592	442,441,821	(1,083,585,088)	1,000,000,000	4,118,404,325

48. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors consider the immediate holding company is Industrial Securities (Hong Kong) Financial Holdings Limited which is incorporated in Hong Kong. Industrial Securities Company Limited ("Industrial Securities"), a company incorporated in the People's Republic of China (the "PRC"), is the ultimate holding company of the Company. The shares of Industrial Securities are listed on the Shanghai Stock Exchange in the PRC.

49. EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of corporate bonds after the reporting period

On 2 February 2024, the Company issued US$300,000,000 corporate bonds with floating interest rate of secured overnight financing rate + 0.9% per annum with a three year maturity which is guaranteed by the Company's controlling shareholder, Industrial Securities Co., Ltd.

(b) Redemption of corporate bonds after the reporting period

On 9 February 2024, the Company redeemded the 3-year fixed rate corporate bonds issued in 2021 with a remaining principal amount of US$265,000,000 upon maturity.

50. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY (UNAUDITED)

RESULTS

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
	HK$	HK$	HK$	HK$	**HK$**
REVENUE	1,261,563,267	576,700,171	636,370,709	258,004,188	**543,354,617**
Other income	131,340,135	110,664,967	31,386,354	116,493,723	**191,737,746**
Share of result of a joint venture	(7,188,844)	3,840,787	(20,060,274)	–	**–**
Finance costs	(569,952,191)	(487,532,792)	(187,871,898)	(182,003,396)	**(288,901,605)**
Commission and fee expenses	(72,846,533)	(90,921,460)	(64,536,118)	(62,899,895)	**(39,504,244)**
Staff costs	(232,101,080)	(169,962,057)	(159,927,725)	(160,103,290)	**(196,919,115)**
Other operating expenses	(175,163,993)	(160,608,855)	(166,202,778)	(163,018,113)	**(146,300,880)**
Impairment losses on financial assets	(874,301,268)	(368,491,609)	(95,493,470)	(82,462,673)	**(8,416,652)**
Other gains and losses	1,027,010	55,063,772	75,712,803	(29,294,055)	**18,106,895**
(LOSS)/PROFIT BEFORE TAXATION	(537,623,497)	(531,247,076)	49,377,603	(305,283,511)	**73,157,762**
Taxation	75,764,050	38,709,493	(9,283,964)	7,881,095	**(18,593,479)**
(LOSS)/PROFIT FOR THE YEAR	(461,859,447)	(492,537,583)	40,093,639	(297,402,416)	**54,564,283**
Other comprehensive income for the year	–	–	–	(94,917,854)	**74,500,213**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	(461,859,447)	(492,537,583)	40,093,639	(392,320,270)	**129,064,496**
(LOSS)/EARNINGS PER SHARE					
Basic (expressed in HKD)	(0.1155)	(0.1231)	0.0100	(0.0744)	**0.0136**

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2020	2021	2022	**2023**
	HK$	HK$	HK$	HK$	**HK$**
Total assets	24,304,672,709	18,263,690,895	16,794,803,131	12,472,181,491	**16,552,022,975**
Total liabilities	(20,465,030,793)	(14,916,586,562)	(12,407,605,159)	(8,477,303,789)	**(12,428,080,777)**
Net assets	3,839,641,916	3,347,104,333	4,387,197,972	3,994,877,702	**4,123,942,198**

兴证国际
INDUSTRIAL SECURITIES INTERNATIONAL

興證國際金融集團有限公司
China Industrial Securities International Financial Group Limited