



交銀國際控股有限公司

BOCOM International Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 3329

**ANNUAL REPORT
2023**

INTRODUCTION TO BOCOM INTERNATIONAL

BOCOM International Holdings Company Limited ("**BOCOM International**", stock code: 3329.HK) is the only integrated platform for securities and securities-related financial services of BOCOM (a state-owned joint stock commercial bank) in Hong Kong. As one of the earliest licensed securities firms with a PRC background in Hong Kong, BOCOM International has weathered many economic and industry cycles as well as regulatory reforms since its establishment in 1998, and has grown to become one of the largest securities firms specialising in securities brokerage and margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses in Hong Kong. BOCOM International successfully landed on the Main Board of the HKEX on 19 May 2017.

BOCOM International seized cross-border business opportunities from the stock connect programs and took full advantage of our background as a securities firm within a banking group to provide one-stop financial services for global customers. With building a comprehensive financial services institution with global influence and market competitiveness in the region being its long-term strategic development goal, BOCOM International is committed to creating greater value for its customers and Shareholders.

POWERFUL SUPPORT FROM CONTROLLING SHAREHOLDER — BOCOM

BOCOM, our controlling Shareholder founded in 1908, is one of the banks with the longest history in modern China. BOCOM reopened after reorganisation in 1987 and became the first nationwide state-owned joint-stock commercial bank in China, with its head office located in Shanghai. BOCOM was listed on the Stock Exchange in June 2005 and on the Shanghai Stock Exchange in May 2007.

BOCOM provides the customers with comprehensive financial services including deposits and loans, supply chain finance, cash management, international settlement and trade finance, investment banking, asset custody, wealth management, bank cards, private banking and treasury business. In addition, the BOCOM Group is involved in businesses such as financial leasing, fund, wealth management, trust, insurance, overseas securities, and debt-to-equity swap through wholly-owned or controlling subsidiaries.

TO DEVELOP INTO A COMPREHENSIVE FINANCIAL SERVICES INSTITUTION WITH GLOBAL INFLUENCE AND MARKET LEADERSHIP IN THE REGION



**Reform-driven
development**



**Technology-led
growth**



**Principle of
customer first**



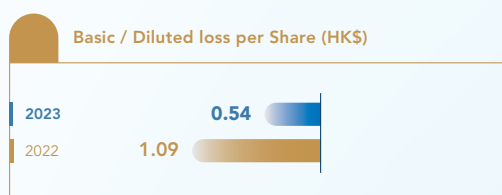
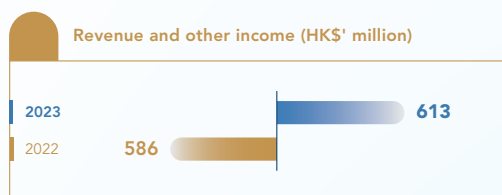
**Focus on
value creation**

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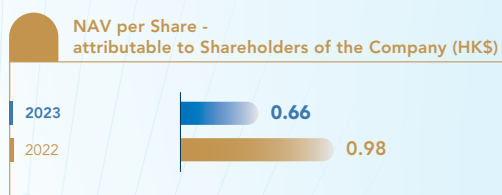
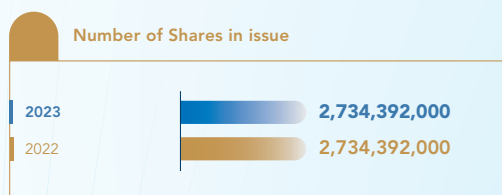
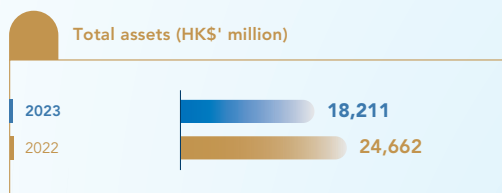
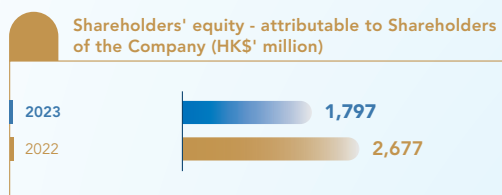
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Financial Highlights

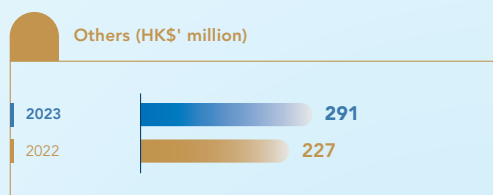
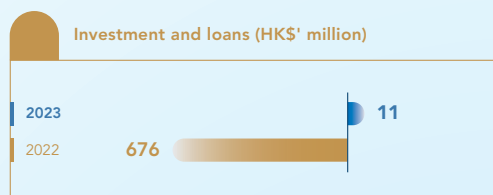
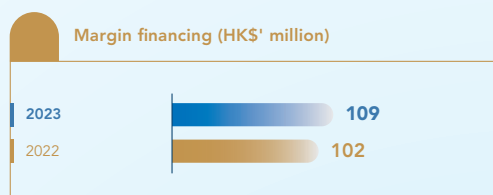
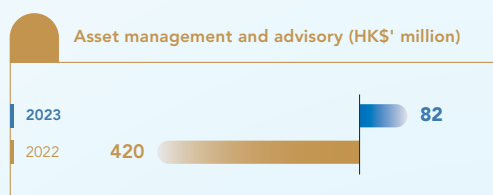
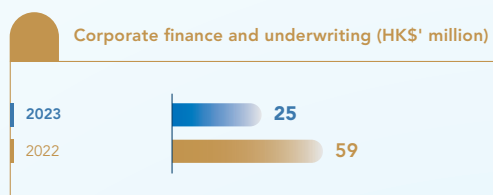
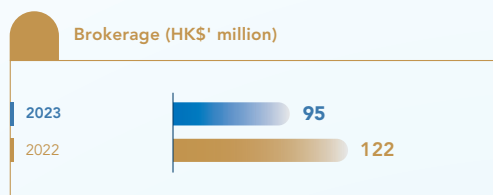
Results



Financial Position



Revenue and other income by segment



Financial Summary

	For the year ended 31 December				
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
RESULTS					
Revenue and other income	1,570,242	2,194,795	1,642,634	(585,690)	613,177
Profit/(loss) attributable to Shareholders of the Company	500,567	843,155	262,420	(2,983,800)	(1,469,500)
Retained earnings/(accumulated losses) carried forward	2,778,837	3,419,833	3,251,003	130,483	(1,339,017)

	At 31 December				
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
ASSETS AND LIABILITIES					
Current assets	13,249,561	19,236,254	20,916,993	15,313,240	11,110,500
Total assets	18,730,229	23,359,859	32,661,878	24,661,853	18,211,046
Current liabilities	5,864,255	14,159,859	10,114,024	14,713,094	7,052,118
Total liabilities	12,102,419	15,575,921	25,237,413	21,985,260	16,414,406

Chairman's Statement

To the Shareholders,

2023 marked the opening to fully implement the spirit of the 20th National Congress of the Communist Party of China (20th National Congress) and the year for the "14th Five-Year Plan" to connect the past and future. In addition, the Group has fully manifested the spirit of the 20th National Congress, the Central Financial Work Conference and the Central Economic Work Conference. With a focus on national strategies and serving "affairs that are of vital importance to the nation", we adhered to the general principle of "seeking progress amidst stability". Our business operations focused on key regions in China such as Beijing-Tianjin-Hebei Region, the Yangtze River Delta, the Greater Bay Area and the Hainan Free Trade Port. Furthermore, we proactively coped with market impacts to minimise the operating losses and to promote the transformation of the operating structure.

MACRO ENVIRONMENT AND MARKET REVIEW

The recovery of the global economy in 2023 has been uneven, with the rapid development of emerging industries providing a new impetus for economic growth, but industry differentiation was also intensifying. After experiencing multiple challenges such as high inflation and a wave of interest rate hikes by the world's major central banks, the global economy was on a bumpy track to recovery. Cross-border capital and international trade continued to recover while new energy, artificial intelligence and other rapidly developing emerging industries have become a new engine for global economic development. At the same time, however, the high interest rate and the rapid development of emerging industries were urging differentiations among various sectors. The complicated geopolitical environment, coupled with the enhanced volatility of the international financial markets, aggravated complexity to the global investment situation.

China continued to play an important role in the global economy. Despite the complex external environment, China's economy grew at a rate of 5.2% in 2023, the highest among the world's major economies, and contributed one-third of the world's incremental economic growth, making it the "ballast stone" for the recovery and growth of the global economy. However, with the disturbance of the high interest rate environment overseas and other factors, the stock, bond and foreign exchange markets in Hong Kong have been affected by the spillover effect to a certain extent. IPO fundraising in the Hong Kong stock market fell to HK\$46.3 billion in 2023, a 55.8% drop from the previous year, and the Hang Seng Index recorded a 13.8% decline.

PERFORMANCE REVIEW AND ANALYSIS

In 2023, under the severe and complicated market and operating environment, the Group adhered to its long-term goal of business transformation, optimised its corporate governance structure, improved its internal control and management mechanism, and enhanced its business capacity building. We promoted diversified development for our corporate financing and global capital market business while enhancing project expansion and customer base in respect of the bond underwriting business. Besides, we further optimised the client structure for the securities business by strengthening the intra-group linkage, and, in terms of the asset management business, we have built up the core competitiveness in investment and research integration. Through science and innovation funds, the Group continued to provide a full range of financial services to high-quality science and innovation enterprises in key industries such as the digital economy and dual-carbon economy, and to provide financial support for the development of real economy. It has won a number of awards, such as "Excellent PE Institution of the Year", "2023 Investment Institution Soft Power LP Active 100", "2023 Top 30 Best Private Equity Investment Institutions in GBA", etc.

The Group has been integrating environmental, social and corporate governance (ESG) concepts into all aspects of its business operations, actively responding to China's dual-carbon goals and practicing green finance. On the one hand, the Group optimised environmental protection and energy conservation measures, reduced carbon emissions from its operations, and actively participated in activities to promote environmental protection and support sustainable development of the society, maintaining a leading level of corporate governance. With all these efforts, the Group was awarded the "Best ESG Information Disclosure Award" during the Year. On the other hand, the Group expanded its quality green financial products and services through responsible investment, green financial investment, green bond issuance and green thematic funds. During the Year, the Group completed the issuance of 18 green bonds and 1 blue bond, with a financing capacity of US\$5.93 billion. It aimed to guide and attract more social capital investment in the green industry. Also, the Group collaborated with the China Energy Capital to establish a green thematic fund in Wuxi, to consolidate the service capacity of green finance.

In 2024, despite the challenging market conditions, the Group will stay committed to the principles of "seeking progress amidst stability, promoting stability through progress, and reforming the outdated." Our focus will be on serving the national strategy, leveraging the Group's strengths, integrating internal resources, enriching our core product offerings, strengthening marketing and service channels, enhancing professional capabilities in investment research, expanding into new business areas, and reinforcing risk compliance and control. Through these efforts, we aim to promote the sustainable development of the Company and further enhance our ability to serve the real economy.

TAN Yueheng
Chairman

Hong Kong, 25 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

As one of the earliest licensed securities firms with PRC background in Hong Kong, we are one of the largest securities firms specialising in securities brokerage and margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. We believe that one of our core competitive strengths is our ability to offer comprehensive and integrated financial services and products that fulfil various investment and financing needs of clients. As a result of sluggish market conditions, the Group incurred a loss of HK\$1,469.5 million for the Year as compared to that of HK\$2,983.8 million for 2022.

Securities Brokerage and Margin Financing

Our securities brokerage business includes executing trades on behalf of clients in listed company stocks, bonds, futures, options and other marketable securities. We execute trades on behalf of clients of various securities products, with primary focus on stocks of companies listed on the Stock Exchange, and other types of securities, including eligible A shares under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, B shares of listed companies on the PRC stock exchanges, US stocks and bonds as well as futures and other exchange-tradable securities. Futures and options contract products include Hang Seng Index Futures and Options, Mini-Hang Seng Index Futures and Options, Hang Seng China Enterprises Index Futures and Options, Mini-Hang Seng China Enterprises Index Futures and Options and stock options.

In 2023, due to the intertwined effects of the banking crisis in Europe and the U.S. and the implementation of the Federal Reserve's interest rate hike program, the global capital market sentiment was sluggish, yields on cash and cash management products continued to be high, and investors' willingness to invest in the market, particularly amongst retail clients, remained low. On one hand, our team continued to leverage the Group's strengths by optimising our client structure through the expansion of our portfolio to include local, corporate, and industrial investment clients. On the other hand, we deepened our collaboration with high quality asset management institutions in the industry and explored product instruments tailored to market strategies. This enabled us to provide clients with state-of-the-art strategies and product support on an ongoing basis. We also made constant and active adjustments to our client structure. During the Year, we strengthened the linkage of resources within the Group and actively cooperated with BOCOM Group's Hong Kong institutions to focus on developing local customers in Hong Kong, with significant achievements, including a significant year-on-year increase in the size of linked assets.

For the year ended 31 December 2023, our commission and fee income from the securities brokerage business was HK\$81.6 million, a decrease of HK\$26.7 million or 24.7% as compared with 2022.

Management Discussion and Analysis

The following table sets forth a breakdown of the commission by product types of our securities brokerage business:

	Year ended 31 December			
	2023		2022	
	HK\$' million	%	HK\$' million	%
Hong Kong stocks	58.0	71.1	76.4	70.6
Non-Hong Kong stocks	9.4	11.5	17.2	15.9
Bonds	7.7	9.4	8.6	7.9
Others	6.5	8.0	6.1	5.6
	<u>81.6</u>	<u>100.0</u>	<u>108.3</u>	<u>100.0</u>

Our margin financing business includes offering collateralised financing for stocks and bonds relating to securities transactions to both retail and institutional customers who require financing. In general, the interest rates charged to the margin clients ranges from prime rate minus 2% to prime rate plus 5%, with reference to client's financial background, the quality of underlying collaterals and the overall business relationship with the Company.

In response to the increasing credit risk, the market volatility and the liquidity risk caused by unexpected capital flows, we have adopted structural adjustments to improve the margin financing risk management.

In 2023, the number of margin client accounts increased to 9,710. The monthly average loan balance decreased slightly and interest income from margin loans for the year ended 31 December 2023 was HK\$109.1 million, an increase of HK\$6.7 million or 6.5% as compared with 2022.

The following table sets forth a summary of key operating and financial information of our margin financing business:

	31/12/2023	31/12/2022
Number of margin accounts	9,710	9,661
Balance of gross margin loans (HK\$'million)	1,325.6	1,696.8
Monthly average balance (HK\$'million)	1,727.0	1,799.8
Highest month end balance (HK\$'million)	1,935.2	2,186.0
Lowest month end balance (HK\$'million)	1,325.6	1,523.2
Margin value (HK\$'million) (Note 1)	1,156.2	1,520.9
Market value (HK\$'million) (Note 2)	4,028.7	5,003.5

Notes:

- 1) Margin value refers to the market value of the securities pledged as collateral for margin loans multiplied by a collateral discount ratio for each individual security.
- 2) Market value refers to the value of the securities pledged as collateral for margin loans at the real-time price of each individual security.

Management Discussion and Analysis

Corporate Finance and Underwriting

We are dedicated to building a comprehensive and cross-border platform for our corporate finance and underwriting business. To address various needs of our corporate clients at different stages, we provide advisory services ranging from IPO sponsorship, equity securities underwriting (both primary and secondary), debt securities underwriting, mergers and acquisitions, pre-IPO financing, and financial advisory.

In 2023, there were a total of 73 new listings on the Stock Exchange (including transfer of listing from GEM to Main Board). The number of new listings decreased by 18.9% as compared with 2022. The aggregate amount of funds raised through IPOs was HK\$46.3 billion in 2023, representing a decrease of 55.8% as compared with 2022.

During the Year, we acted as a global coordinator and/or bookrunner for 19 completed IPO projects. In respect of debt capital market, we completed 85 debt issuance projects, including 18 green bond projects and 1 blue bond project, and successfully assisted corporations in raising USD18.35 billion in aggregate. We have built up a team of professionals to strengthen our capabilities in various financial advisory services such as pre-IPO equity financing, private credit, mergers and acquisitions and leveraged finance. As the sole financial advisor, we have completed a new energy private placement debt repayment and disposal of controlling stake project. In addition, we also acted as financial advisor for 4 other completed financial advisory projects.

For the year ended 31 December 2023, our commission and fee income from corporate finance and underwriting services was HK\$25.2 million, a decrease of HK\$34.2 million or 57.5% as compared to that of HK\$59.4 million in 2022.

Asset Management and Advisory

We offer a full range of asset management products including both public and private equity funds, and discretionary management accounts, as well as investment advisory services, and provide comprehensive investment solutions and high-quality services to corporations, institutions, high-net-worth clients and individual investors. In addition to Hong Kong, we also provide asset management services in Mainland China via BOCOM International (Shanghai) in Shanghai and BOCOM International (Shenzhen) in Qianhai, Shenzhen, and have built up a cross-border asset management platform to grasp the distinct sources of investment growth in Mainland China.

Management Discussion and Analysis

As a fund manager, we have continued to build up our core competitiveness in investment and research integration. By taking advantage of the high interest rate of the U.S. dollar, we strive to customise higher yielding fixed asset investment income portfolios for our clients, which have been well received by our clients. We have established over ten BOCOM science and technology innovation equity investment series funds in cities such as Shanghai, Chongqing, Jiangsu, Zhejiang, Hubei, Shandong, Hebei and Shenzhen, which focus on investing in quality enterprises engaged in fields such as new energy automobiles, new energy, semiconductors, artificial intelligence, new materials, bio-pharmaceuticals and next generation information technology. We also provided a full range of integrated financial services to these high quality science and innovation enterprises by leveraging on BOCOM's resources. We, together with China Energy Capital, have initiated and established a green technology investment fund. This fund will actively seize quality investment opportunities related to the "dual-carbon" goal, in order to empower and support China's energy structure transformation and upgrade and the innovation and development of green technology through equity investments. We have established the first fund-of-funds in Hainan, with us serving as the fund manager. This fund is specifically designed to target high-quality investment institutions operating in the digital economy and other industries which receive substantial local support. It invests in their respective sub-funds, aiming to assist local governments in attracting investment and capital and foster the growth of sub-fund investors, through collaborating with the resources of BOCOM Group. Furthermore, we provided investors home and abroad with diversified cross-border asset management product portfolio and a full chain of QFLP and QDIE fund product services. As of 31 December 2023, we have established 11 QFLP funds and 1 QDIE fund, amongst which our QFLP funds became the first fund of its kind established in Hainan, Qingdao and Lianyungang.

As at 31 December 2023, the total amount of our AUM was approximately HK\$19,283.6 million, representing a decrease of 20.2% from HK\$24,177.8 million as at 31 December 2022. For the year ended 31 December 2023, asset management and advisory fee income decreased by HK\$8.5 million or 19.2% to HK\$35.9 million. Proprietary trading gain was HK\$45.8 million, representing the refund of the guarantee fee payment as compared to a proprietary trading loss of HK\$466.1 million in 2022.

Management Discussion and Analysis

Investment and Loans

Our investment and loans business comprises equity investment, bonds investment, structured financing and loans. We aim to achieve a balance between investment returns and tolerable risks.

For equity investments, in recent years, we carried out plans with foresight by closely following strategic emerging industries, advanced manufacturing industries, areas such as those with technological innovation and upgrading of traditional industries, and participating in debt-equity hybrid investments in enterprises with high growth potential. For bond investments, we preferred short-to-medium duration products with good credit standing and offshore premium.

For structured financing and corporate loans, we launched a full spectrum of credit business, including leveraged financing, structured products, asset-backed loans, convertible bonds, etc. In terms of asset classes, we mainly focused on loans with high-quality underlying assets and counterparties with good credit track record. During the Reporting Period, we had 8 clients, with one individual client and 7 corporate clients. Our corporate clients primarily included corporate clients in real estate industry, stated-owned enterprises, and pharmaceuticals industries, to which the principal amount of loans granted amounted to HK\$798 million, HK\$520 million, and HK\$55 million, respectively as at 31 December 2023 (as at 31 December 2022: the principal amount of loans granted to corporate clients in real estate industry, stated-owned enterprises, technology, financial, wholesale and retail, and pharmaceuticals industries amounted to HK\$821 million, HK\$528 million, HK\$516 million, HK\$235 million, HK\$132 million and HK\$54 million, respectively). The funding sources of our credit business included bank and other borrowings, obligation under repurchase agreements, subordinated loans, debt securities issued and internal funding. We determined the credit limit of respective clients based on various factors, including but not limited to the total value of assets maintained with the Group as well as their background, annual income, trading patterns and credit history. During the Reporting Period, the aggregate amount of loans granted to the top 5 clients was HK\$1,301 million, accounting for 86.5% of the total amount of loans granted by the Group during the Reporting Period in which HK\$520 million was granted to the single largest client, representing 34.6% of the total amount of loans granted by the Group during the Reporting Period (in 2022: the aggregate amount of loans granted to the top 5 clients was HK\$1,617 million, accounting for 66.9% of the total amount of loans granted by the Group during 2022, in which HK\$528 million was granted to the single largest client, representing 21.8% of the total amount of loans granted by the Group during 2022).

During the Reporting Period, the loans provided by the Group primarily included short-term and long-term loans. The interest rates we charged for the short-term loans ranged from 5.25% to 8.784% per annum, whilst the interest rates charged for the long-term loans ranged from 5.5% to 7.0% per annum (in 2022: the interest rates charged for the short-term loans ranged from 4.693% to 10.0% per annum, whilst the interest rates charged for the long-term loans ranged from 5.5% to 8.784% per annum). We considered a number of factors when determining the interest rate to be charged to each client, including the comprehensive business relationship, risk exposure (which covers, among others, the financial capability, business prospect, credit history and background of the client) and funding cost.

Management Discussion and Analysis

For the year ended 31 December 2023, interest income from loans and advances and financial assets at fair value through other comprehensive income was HK\$427.3 million, representing a decrease of approximately 26.7% as compared to HK\$582.6 million in 2022. Proprietary trading loss was HK\$420.0 million, a decrease in loss of HK\$855.2 million from 2022.

In general, we require our clients to provide collateral in the form of floating charge or fixed charge to secure their payment obligations under the loans granted to protect our financial position. For the secured collateral, during the Reporting Period, 90.2% of the secured collateral was in the form of securities and 9.8% was in the form of real estate properties (during 2022: 88.1% of the secured collateral was in the form of securities and 11.9% was in the form of real estate properties).

During the Reporting Period, the Group granted short-term loans with maturity of one year in the principal amount ranging from HK\$55 million to HK\$360 million to its clients having considered the concentration risk of the loan portfolio and the underlying collateral (during 2022: short-term loans with maturity of one year in the principal amount ranging from HK\$50 million to HK\$389 million were granted); whilst long-term loans with maturity ranging from two to six years in the principal amount ranging from HK\$71 million to HK\$520 million were only granted to corporate clients under syndication arrangement (during 2022: long-term loans with maturity ranging from two to five years in the principal amount ranging from HK\$54 million to HK\$528 million were granted).

The table below sets forth our investment position by asset types for our equity and fixed income investment business:

	31/12/2023		31/12/2022	
	HK\$' million	%	HK\$' million	%
Fixed income securities	8,093.8	72.8	11,751.4	78.1
Bonds	7,604.0	68.4	11,048.0	73.4
Preference shares	489.8	4.4	703.4	4.7
Equity investments	97.3	0.9	73.7	0.5
Funds	2,927.1	26.3	3,225.4	21.4

Management Discussion and Analysis

Research

Our research team provides independent and objective research on macroeconomics, global cross-asset allocation strategies as well as investment ideas on multiple industries. We focus on high quality growth sectors including technology, healthcare, new energy, advanced manufacturing and new consumption. Going forward, we will continue to publish differentiated and in-depth research, and strive to conduct forward-looking thematic research with promising values, which can enhance our competitiveness. Based on these efforts, we are able to help our institutional clients, the Group and the Company adapt to emerging investment trends. Our research covers 130 listed companies in 15 sub-sectors, on which we offer comprehensive analysis and forecasting in respect of company-specific fundamentals and financial models as well as timely comments on data releases and events. Thematic research is an area that we are going to focus on going forward. In 2023, the publication of our in-depth reports has increased nearly two-fold year-on-year and we have attracted hundreds of thousands of audiences to our analysts' roadshows on various platforms.

FINANCIAL REVIEW

Financial Performance

The following table sets out the breakdown of total revenue and other income by segments:

	Year ended 31 December	
	2023	2022
	HK\$' million	HK\$' million
Brokerage	95.4	122.4
Corporate finance and underwriting	25.2	59.4
Asset management and advisory	81.9	(420.3)
Margin financing	109.1	102.4
Investment and loans	11.0	(676.4)
Others	290.6	226.8
Total	<u>613.2</u>	<u>(585.7)</u>

The Group's loss for the year ended 31 December 2023 was approximately HK\$1,469.5 million, comparing with a loss of HK\$2,983.8 million in 2022.

Operating Expenses

Operating expenses and finance costs for the year ended 31 December 2023 amounted to HK\$2,075.3 million (2022: HK\$2,433.6 million), an analysis of which is set out below:

	Year ended 31 December			
	2023		2022	
	HK\$' million	%	HK\$' million	%
Commission and brokerage expenses	23.9	1.2	31.6	1.3
Finance costs	717.7	34.6	478.3	19.7
Staff costs	398.0	19.2	370.7	15.2
Depreciation	124.3	6.0	116.6	4.8
Other operating expenses	185.8	8.9	241.2	9.9
Change in impairment allowance	625.6	30.1	1,195.2	49.1
Total	2,075.3	100.0	2,433.6	100.0

Finance costs increased by 50.0% as a result of an increase in average interest rate.

Other operating expenses decreased by 23.0%, mainly due to decrease in software development costs and operating lease charges as well as the shift from exchange loss to exchange gain.

As at 31 December 2023, the Group recognised an accumulated impairment allowance of HK\$1,717.8 million (an increase of HK\$72.4 million from the accumulated impairment allowance as at 31 December 2022). The accumulated impairment losses as of 31 December 2023 comprise primarily of (i) impairment losses on loans and advances amounting to HK\$464 million (the "**Loan Impairment**") and (ii) debt investments at fair value through other comprehensive income (the "**debt investments**") amounting to HK\$1,059.6 million (the "**Debt Impairment**"). The Loan Impairment and the Debt Impairment were primarily attributable to the volatility in the capital market and the downturn in the real estate market in Mainland China.

The Group's impairment losses on loans and advances and debt investments are calculated based on a three-stage expected credit loss (the "**ECL**") model. The Group applies the ECL model to assess the Loan Impairment and the Debt Impairment and in doing such assessment, the Group, in accordance with HKFRS 9, takes into account the following factors:

- (i) the probability of default and in assessing such probability, the Group will (a) conduct past due age analysis; (b) perform due diligence on each debtor's changes in credit rating, business, financial or economic conditions and changes in the expected performance and behaviour of each debtor; and (c) consider the macro-environment and the repayment history of each debtor; and
- (ii) the loss given default and the expected cash shortfall between the cash flows due to the Group in accordance with the agreements and the cash flows that the Group expects to receive and in assessing such, the Group will take into account the collaterals (if any) provided for the debts, the seniority of the claim and potential recovery scenarios based on financial statements.

Management Discussion and Analysis

For the purpose of impairment assessment, the loans and advances and debt investments are classified as Stage 1, 2 and 3 under the ECL model. According to prevailing accounting standards, Stage 1 are debts with no significant increase in credit risk of the financial instrument since their initial recognition. Stage 2 are debts with increase in credit risk of the financial instrument since their initial recognition. Stage 3 are debts with significant increase in credit risk of the financial instrument since their initial recognition and are considered as credit-impaired.

Impairment was assessed for each of the loans and advances and debt investments and the ECL for internal impairment assessment has taken into account relevant considerations including: (i) expected life and contractual terms of the financial instrument; (ii) probability of default; and (iii) loss given default.

As of 31 December 2023, Loan Impairment was made for 8 individual and corporate customers, none of which are connected with the Group. Among such 8 borrowers, none of the borrowers falls within Stage 2 and 6 borrowers fall within Stage 3 (i.e. credit impaired) ("**Stage 3 Borrowers**"). As of 31 December 2023, the aggregate outstanding principal amount owed by Stage 3 Borrowers amounted to HK\$930 million (representing approximately 61.8% of the total amount of loans and advances granted by the Group as of 31 December 2023).

As of 31 December 2023, Debt Impairment was made in respect of 94 debt securities invested by the Group. Among such 94 debt securities, no debt securities fall within Stage 2 ("**Stage 2 Debt**") and 23 debt securities fall within Stage 3 ("**Stage 3 Debt**"). As of 31 December 2023, the total fair value of the Stage 3 Debt was HK\$96.7 million.

The Group has adopted debt collection procedures to minimise the impairment loss, which includes (i) closely monitoring the progress of repayment by checking if there is any overdue balance or late payment each month; (ii) sending reminders to the debtors to remind them of the outstanding balance status; (iii) engaging in negotiations and discussions with debtors on repayment; (iv) issuing statutory demand letters to debtors on amounts due; and (v) where appropriate, initiating legal actions against debtors for recovery of amounts due and taking possession of collaterals pledged. The action to be taken by the Group with respect to each debtor depends on, among others, the size of the debt, the financial capability and future prospect of the debtor, the likelihood of default, the loss given if default and the value of the collaterals (if any).

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and bank balances as at 31 December 2023 decreased by HK\$491.1 million to HK\$1,299.4 million (31 December 2022: HK\$1,790.5 million).

The Group's net current assets increased by HK\$3,458.3 million to HK\$4,058.4 million as at 31 December 2023 (31 December 2022: HK\$600.1 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 times as at 31 December 2023 (31 December 2022: 1.0 times).

As at 31 December 2023, the total borrowings of the Group amounted to HK\$14,149.0 million (31 December 2022: HK\$18,315.7 million), comprising of bank and other borrowings, obligation under repurchase agreements, subordinated loans and debt securities issued. Among these, the subordinated loans from the ultimate holding company amounted to HK\$1,000.0 million (31 December 2022: HK\$1,000.0 million).

Debt securities issued represented US\$500 million 1.75% guaranteed notes issued by a wholly owned subsidiary of the Company on 28 June 2021 under the medium term note programme. The notes and the programme are listed on the Stock Exchange and the notes are issued to professional investors only as described in the pricing supplement dated 22 June 2021 and the offering circular dated 4 June 2021. The notes will mature on 28 June 2026 and are guaranteed by the Company.

As at 31 December 2023, the Group's gearing ratio was 787.5% (31 December 2022: 684.3%), as calculated by dividing total borrowings by total equity.

The Directors are of the view that the Group has maintained adequate liquidity for business operations and any investment opportunities that may arise in the near future.

Capital Structure

The Group finances its working capital requirements by cash generated from its business operations, bank loans (including loans from BOCOM) and medium term notes. Our capital structure consists of share capital and reserves.

Principal Risks

The Group faces a number of principal risks and uncertainties that if not properly managed could create an exposure for the Group. Thorough risk assessment and mitigation help to ensure these risks are well managed and effectively controlled. The Group focuses on addressing the following principal risks:

Currency Risk

The Group has certain transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. Our currency risk exposure mainly lies in RMB and USD at present. The exchange rate of HKD against USD is relatively stable under the current pegged rate system in Hong Kong.

Interest Rate Risk

Our interest rate risk relates primarily to margin loans to customers, loans and subordinated loans and investments in debt securities. The Group has set up an asset portfolio management system to mitigate interest rate risk by diversification of assets and regular monitoring of risk exposure so as to quantify market exposure in duration terms.

Credit Risk

Our credit risk arises from the possibility that our clients or counterparties for a transaction may default. The Group has a range of credit policies and practices in place to mitigate such risk and ensure such risk is monitored on an ongoing basis.

Liquidity Risk

Our businesses rely on having sufficient funds to pay due debts, perform payment obligations and satisfy the capital requirements. The Group has implemented internal measures to monitor the liquidity risk and the foreseeable funding requirements to ensure certain subsidiaries of the Company that are regulated under the SFO continuously comply with the relevant rules and regulations.

Management Discussion and Analysis

Operational Risk

Our operational risk arises from direct or indirect financial loss resulting from incomplete or irregular internal processes, personnel mistakes, information technology system failures, or external events. The Group has implemented a range of internal controls and other measures to mitigate such risk.

Market Risk

Our market risk includes exchange rate risk, interest rate risk and price risk of other assets. The Group has implemented measures to manage and monitor such risks in order to keep potential losses to an acceptable level.

Material Acquisitions and Disposals

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Group.

Significant Investments Held

During the Reporting Period, there was no significant investment held by the Group.

Charges on Group Assets

As at 31 December 2023, there was no charge on Group assets (31 December 2022: Nil).

Capital Commitments

As at 31 December 2023, the Group had no significant capital commitment.

Employees and Remuneration Policies

As at 31 December 2023, the Group had a total of 538 employees. Total staff costs amounted to approximately HK\$398.0 million for the year ended 31 December 2023.

The Group continuously refines its remuneration and incentive policies to boost business development and ensure employees receive competitive remuneration packages. The remuneration of the Directors is determined with reference to their duties, responsibilities, experience and to the prevailing market conditions. Mandatory provident fund scheme contributions and insurance packages have been provided to employees in accordance with local laws and regulations. The Group also provides various staff benefits according to among others, the relevant internal policy of the Company. We conduct performance evaluations of our employees annually to provide feedback on their performance.

We systematically provide comprehensive and diverse trainings to improve the professional skills of our employees. Employees are subsidised for participating in training courses which keep them abreast of the latest industry and technical developments.

Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

The global economic growth for 2024 is still on a steady and positive trajectory. Despite complex geopolitical circumstances, global inflation is cooling down, major central banks are ending tightening monetary policies, and accelerated development of the AI industry will prove to have a positive effect on global growth. We expect global economic growth momentum to remain resilient in 2024. In China's case, with the solid advancement of high-quality development and the effects of policies to stabilise growth, complemented by loose fiscal and monetary policies, it is expected that its economy will continue its steady growth in 2024 and have a positive impact on the global economy. At the same time, as major central banks enter a new cycle of interest rate cuts and the high interest rate environment overseas eases, the international investment environment is expected to gradually improve, providing fresh impetus for global economic growth. Hong Kong capital market will play a critical role in the global market. As liquidity pressure eases around the globe, coupled with Hong Kong market's already low valuation, we shall expect further recoveries across all major asset classes from Hong Kong market.

The Company will actively seize the opportunities arising from China's consolidation and enhancement of Hong Kong's status as an international financial center. It will prioritise stability while seeking progress, focusing on its core responsibilities and businesses, and strengthening its capacity. Additionally, the Company will remain committed to serving the real economy, gradually deepening structural transformation, and effectively managing operational risks. Efforts will be made to develop technology finance and green finance, thereby enhancing the functionality of financial services. These actions will enable the Company to promote high-quality transformative development, creating value for Shareholders and investors.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

TAN Yueheng (Chairman)
XIE Jie (Chief Executive Officer)
(appointment effective from 27 March 2024)
CHENG Chuange (Deputy Chief Executive Officer)
(resignation effective from 11 December 2023)
WANG Xianjia (Deputy Chief Executive Officer and
Chief Risk Officer)
(redesignation effective from 11 December 2023)

Non-executive Directors

SHAN Zengjian
(appointment effective from 29 June 2023)
ZHU Chen
(redesignation effective from 27 March 2024)
WANG Yongqing
(appointment effective from 27 March 2024)
PO Ying
(retirement effective from 29 June 2023)

Independent Non-executive Directors

TSE Yung Hoi
MA Ning
LIN Zhijun

BOARD COMMITTEES

Strategy and Risk Management Committee (establishment effective from 13 July 2023)

TAN Yueheng (Chairman)
XIE Jie
(appointment effective from 27 March 2024)
CHENG Chuange
(resignation effective from 11 December 2023)
WANG Xianjia
SHAN Zengjian
ZHU Chen
WANG Yongqing
(appointment effective from 27 March 2024)

Audit Committee

(formerly known as Audit and Risk Management
Committee, renaming effective from 13 July 2023)

LIN Zhijun (Chairman)
MA Ning
(appointment effective from 27 March 2024)
TSE Yung Hoi
SHAN Zengjian
(appointment effective from 11 December 2023)
WANG Yongqing
(appointment effective from 27 March 2024)
WANG Xianjia
(cessation effective from 11 December 2023)

Remuneration Committee

TSE Yung Hoi (Chairman)
MA Ning
LIN Zhijun
WANG Xianjia
(taking office from 13 July 2023 to 27 March 2024)
SHAN Zengjian
(appointment effective from 13 July 2023)
ZHU Chen
(appointment effective from 27 March 2024)

Nomination Committee

TAN Yueheng (Chairman)
(cessation effective from 13 July 2023)
MA Ning (Chairman)
(redesignation as the chairman effective from
13 July 2023)
PO Ying
(retirement effective from 29 June 2023)
TSE Yung Hoi
LIN Zhijun
WANG Xianjia
(taking office from 13 July 2023 to 27 March 2024)
SHAN Zengjian
(taking office from 13 July 2023 to 27 March 2024)
ZHU Chen
(appointment effective from 27 March 2024)
WANG Yongqing
(appointment effective from 27 March 2024)

COMPANY SECRETARY

YI Li

AUTHORISED REPRESENTATIVES

CHENG Chuange

(cessation effective from 11 December 2023)

WANG Xianjia

(taking office effective from 11 December 2023)

YI Li

REGISTERED OFFICE

9/F, Man Yee Building, 68 Des Voeux Road Central,
Hong Kong

LEGAL ADVISER

As to Hong Kong laws

Freshfields Bruckhaus Deringer

AUDITOR

KPMG

Certified Public Accountants

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

SHARE REGISTRAR

Computershare Hong Kong Investor Services
Limited

Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd. Hong Kong
Branch

Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia)
Limited

Industrial Bank Co., Ltd. Hong Kong Branch

Agricultural Bank of China Hong Kong Branch

China CITIC Bank International Limited

OCBC Wing Hang Bank Limited

China Construction Bank (Asia) Corporation Limited

STOCK CODE

HKEX 3329

Reuters 3329.HK

HK Bloomberg 3329 HK

COMPANY WEBSITE

www.bocomgroup.com

Biographies of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

TAN Yueheng, aged 61, is the Chairman and an Executive Director of the Company. He was appointed as a Director of the Company in February 2007 and the Vice Chairman of the Company in June 2007. He has served as the Chairman of the Company since July 2016 and was re-designated as an Executive Director of the Company in October 2016. He is also a director of various subsidiaries of the Company. Prior to joining the Group, Mr. TAN served as the deputy general manager of Jiang Nan Finance Limited from 1997 to 2002, the deputy general manager of CMB International Capital Corporation Limited from 1997 to 2002, a director of Great Wall Securities Limited from 1998 to 2002, the deputy general manager of China Merchants Finance Holdings Company Limited from 2002 to 2007, the chairman of the supervisory board of China Merchants Securities Co., Ltd. from 2003 to 2007, and a non-executive director of China Merchants Bank from 2004 to 2007.

Mr. TAN graduated from Hunan Institute of Finance and Economics with a bachelor's degree in Finance in July 1983. He also obtained a master's degree in Economics, with a major in Money and Banking from the Graduate School of the People's Bank of China in July 1986 and a doctorate degree in Economics from the Graduate School of Chinese Academy of Social Sciences in December 1989. Mr. TAN is a member of the Chinese People's Political Consultative Conference Gansu Provincial Committee and was appointed as a member of the Standing Committee since January 2020. He was the chairman of the Chinese Securities Association of Hong Kong from March 2015 to February 2019, and has been the permanent honorary chairman since February 2019. Mr. TAN has been appointed as a Justice of the Peace by the Hong Kong Government since October 2020, a director of the Chinese General Chamber of Commerce since November 2020, has been elected as a member of the seventh Legislative Council of the Hong Kong Special Administrative Region with effect from January 2022, and has been appointed as a member of the 14th National Committee of the Chinese People's Political Consultative Conference since January 2023.

XIE Jie, aged 49, is the Chief Executive Officer and an Executive Director of the Company. He was appointed as the Chief Executive Officer and an Executive Director of the Company in March 2024.

Mr. XIE joined BOCOM Group in July 2000 and held several positions, including the deputy senior manager of business development, deputy senior manager of commercial and industrial enterprises and senior manager of commercial and industrial enterprises of the corporate business department of BOCOM from July 2007 to March 2008, from March 2008 to August 2010 and from August 2010 to April 2011 respectively, the director of trust business and vice president of Bank of Communications International Trust Co., Ltd. from April 2011 to February 2013 and from April 2013 to August 2020 respectively, the general manager of Bank of Communications Capital Management Co., Ltd. from August 2020 to August 2022, the vice president of BOCOM Financial Asset Investment Co., Ltd. from April 2021 to July 2022, the president of BOCOM Financial Asset Investment Co., Ltd. from July 2022 to December 2023, an executive director of the same company from July 2022 to February 2024, and the chairman of the board of directors of Bank of Communications Capital Management Co., Ltd. from June 2023 to February 2024.

Mr. XIE graduated from Fudan University in July 2000, and obtained a Bachelor's degree in Economics and a Master's degree in Economics successively. He has served as a director of National Green Development Fund Co., Ltd. since July 2020.

Biographies of Directors and Senior Management

WANG Xianjia, aged 47, is an Executive Director, the Deputy Chief Executive Officer and Chief Risk Officer of the Company. He was appointed as a Non-executive Director of the Company in June 2022, and was re-designated as an Executive Director and appointed as the Deputy Chief Executive Officer and the Chief Risk Officer of the Company in December 2023. He is also a director of various subsidiaries of the Company.

Mr. WANG joined BOCOM in July 1999 and held various positions, including the manager and the deputy senior manager of the treasury department of the Macau branch of BOCOM from November 2007 to April 2008 and from April 2008 to September 2010 respectively, deputy senior manager of bond investments, deputy senior manager of foreign exchange trading and senior manager of foreign exchange trading of the financial markets department of BOCOM from September 2010 to September 2012, from September 2012 to December 2013 and from December 2013 to April 2014 respectively, the general manager of the foreign exchange trading department of the financial market business centre of BOCOM from April 2014 to April 2020, and the senior manager of foreign exchange trading of the financial markets department of BOCOM from April 2020 to November 2020, the vice general manager of the risk management department of BOCOM from November 2020 to June 2023, and has served as a non-executive director of Bank of Communications Schroder Fund Management Co., Ltd. since January 2021.

Mr. WANG obtained a bachelor's degree in the Economic from Shanghai University of Finance and Economics in June 1999.

Non-executive Directors

SHAN Zengjian, aged 56, is a Non-executive Director of the Company. He was appointed as a Non-executive Director of the Company in June 2023.

Mr. SHAN joined BOCOM Group in August 1991 and held various positions, including the assistant to the president and the vice president of the Wenhua Road sub-branch of Zhengzhou branch of BOCOM from June 1997 to August 1998 and from August 1998 to October 2000, respectively, vice president of Jianwen sub-branch of Zhengzhou branch of BOCOM from October 2000 to July 2001, vice president and president of Baihua Road sub-branch of Zhengzhou branch of BOCOM from July 2001 to September 2002 and from September 2002 to July 2003, respectively, office manager and senior manager of the corporate business department of Zhengzhou branch of BOCOM from July 2003 to February 2006 and from February 2006 to August 2007, respectively, vice president of Henan branch (Zhengzhou) of BOCOM from August 2007 to September 2013 (during which from July 2010 to September 2013 was senior credit executive of this branch), president of Henan branch of BOCOM from September 2013 to August 2018 and president of Hubei branch of BOCOM from August 2018 to January 2022, has served as the chairman of the board of supervisors of Bank of Communications Financial Leasing Co., Ltd. since September 2022 and a Non-executive Director of Bank of Communications (Hong Kong) since November 2023.

Mr. SHAN obtained a bachelor's degree in Economics from Zhengzhou University in June 1991 and obtained an EMBA from Huazhong University of Science and Technology in June 2005. Mr. SHAN obtained the qualification of senior economist in August 2018.

Biographies of Directors and Senior Management

ZHU Chen, aged 53, is a Non-executive Director of the Company. She was appointed as the Chief Executive Officer and an Executive Director of the Company in July 2022, and was re-designated as a Non-executive Director and resigned as the Chief Executive Officer of the Company in March 2024.

Ms. ZHU joined BOCOM Group in July 1993 and held several positions, including the deputy general manager of the international banking department of BOCOM from April 2007 to November 2012, the deputy general manager of the Taipei branch of BOCOM from November 2012 to October 2013, the general manager of the Taipei branch of BOCOM from October 2013 to July 2017, the general manager of the international banking department of BOCOM from July 2017 to July 2022.

Ms. ZHU graduated from Fudan University with a Bachelor's degree in Science in July 1993. In November 2019, she obtained the Shanghai Leading Financial Talent Certificate. She has served as a director and vice chairman of the Chinese Securities Association of Hong Kong since March 2023.

WANG Yongqing, aged 55, is a Non-executive Director of the Company. He was appointed as a Non-executive Director of the Company in March 2024.

Mr. WANG joined BOCOM Group in October 1990 and held several positions, including the deputy general manager of the Seoul branch of BOCOM from February 2012 to September 2017, and also the senior credit executive officer of the Seoul branch of BOCOM from November 2015 to September 2017, the general manager of the Seoul branch of BOCOM from September 2017 to August 2023, and has served as the deputy general manager and senior expert of the credit approval department of BOCOM since August 2023.

Mr. WANG graduated from Nanjing University of Science & Technology in July 1998 with a Bachelor's degree in Economics, and obtained a degree of International Master of Business Administration from The University of British Columbia in Canada in May 2010.

Independent Non-executive Directors

TSE Yung Hoi, aged 71, is an Independent Non-executive Director of the Company. He was appointed as a Director of the Company in June 2014. Mr. TSE is also currently the chairman of BOCI-Prudential Asset Management Limited.

Mr. TSE is currently an independent non-executive director of Huatai Securities Co., Ltd. (listed on the Stock Exchange, stock code: 6886). He served directorship in a number of companies listed on the Stock Exchange, including among others, being an independent non-executive director of China Tower Corporation Limited (stock code: 0788) from May 2018 to January 2022, DTXS Silk Road Investment Holdings Company Limited (stock code: 0620) from November 2017 to September 2023 (following his position as a non-executive director of such company from December 2015 to November 2017) and Vico International Holdings Limited (stock code: 1621) from January 2018 to March 2024.

Mr. TSE graduated from Fudan University with a bachelor's degree in English in July 1975. He was awarded the Bronze Bauhinia Star by the Hong Kong Government in July 2013. He is also the life honorary president of the Chinese Securities Association of Hong Kong, the Vice Chairman of the Chinese General Chamber of Commerce and a member of the 12th Chinese People's Political Consultative Conference Shanghai Committee, a member of the Advisory Committee of the SFC.

Biographies of Directors and Senior Management

MA Ning, aged 51, is an Independent Non-executive Director of the Company. He was appointed as a Director of the Company in October 2016. From August 1996 to July 2002, he worked at the People's Bank of China (head office) where he was involved in devising policies and regulating the non-bank financial institutions in the PRC. From August 2002 to April 2010, he held various positions with and served as a managing director of Goldman Sachs (Asia) L.L.C.. From May 2010 to June 2015, he held various positions with Beijing Gao Hua Securities Company Limited and served as the deputy general manager and managing director. He has served as a managing partner of Tibet Lingfeng Venture Investment Partnership since August 2015.

Mr. MA graduated from Renmin University of China with a bachelor's degree in Economics in July 1993. He obtained a master's degree in International Finance from the Graduate School of the People's Bank of China in February 1996 and a master's degree in Business Administration from London Business School in August 2002.

LIN Zhijun, aged 69, is an Independent Non-executive Director of the Company. He was appointed as a Director of the Company in October 2016. Mr. LIN is an independent non-executive director of China Everbright Limited (listed on the Stock Exchange, stock code: 0165). He was an independent non-executive director of Springland International Holdings Limited (withdrawal of listing on the Stock Exchange) from February 2008 to March 2020, South Manganese Investment Limited (formerly known as "CITIC Dameng Holdings Limited") (listed on the Stock Exchange, stock code: 1091) from October 2016 to July 2021, Dali Foods Group Company Limited (withdrawal of listing on the Stock Exchange) from August 2015 to August 2023 and Sinotruk (Hong Kong) Limited (listed on the Stock Exchange, stock code: 3808) from February 2007 to March 2024.

Mr. LIN held various teaching positions in the Faculty of Management at the University of Lethbridge, Canada from August 1990 to August 1998, the School of Business of the University of Hong Kong from September 1996 to June 1998, and the School of Business of Hong Kong Baptist University from September 1998 to December 2014. He served as the vice president of the Macau University of Science and Technology from March 2018 to June 2022, the dean of the Business School of the Macau University of Science and Technology from January 2015 to June 2020, and an associate vice president of the Macau University of Science and Technology from February 2017 to March 2018. He currently serves as the Head of Academic Accreditation Office, and a professor of the Business School of the Macau University of Science and Technology.

Mr. LIN obtained a master's degree in Economics (accounting) from Xiamen University in December 1982, a doctorate degree in Economics in December 1985, and a master's degree in Business Administration from the University of Saskatchewan, Canada in October 1991. He has been a member of the American Institute of Certified Public Accountants since August 1995 and the Chinese Institute of Certified Public Accountants since June 1995. He is also a Chartered Global Management Accountant (CGMA) and a Certified Management Accountant (CMA) of Australia.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Please refer to the biographies of Mr. XIE Jie and Mr. WANG Xianjia set out above.

SU Fen, aged 52, is a Deputy Chief Executive Officer of the Company. He was appointed as a Deputy Chief Executive Officer of the Company in July 2018. He is also a director of various subsidiaries of the Company. From 1994 to 2000, Mr. SU held various positions in the foreign exchange department, the credit management department and the marketing department of BOCOM (Guangzhou Branch). In 2001, he was the deputy general manager of the marketing department of BOCOM (Guangzhou Branch). From 2002 to 2007, he was relocated to work in the credit department of BOCOM (New York Branch) as the deputy manager and later the manager. From 2007 to 2010, he was the senior manager (Merger and Acquisition) of the investment management department of BOCOM. In 2010, he became a director of the integrated management department of BOCOM Fund. In 2011, he was promoted to the position of chief compliance officer of BOCOM Fund and had assumed such role until joining the Group in July 2018.

Mr. SU graduated from Guangdong University of Foreign Studies (formerly known as Guangzhou Institute of Foreign Languages) with a bachelor's degree in Arts in 1994. He also obtained a master's degree in Business Administration from the Bernard M. Baruch College of the City University of New York in 2007.

SHENG Jie, aged 39, is a Deputy Chief Executive Officer of the Company. She was appointed as a Deputy Chief Executive Officer of the Company in March 2024. She is also a director of various subsidiaries of the Company. From April 2009 to August 2016, Ms. SHENG worked at Beijing University of Technology and Beijing Institute of Technology. From August 2016 to November 2018, she was corporate director and general manager of human resources of the predecessor of Huarong Investment Stock Corporation Limited. In February 2020, she joined the Group. She was the head of strategic clients department of the Company from May 2020 to February 2021, has served as the head of science and technology innovation investment department of the Company since February 2021, and the general manager of BOCOM International (Shanghai) and the general manager of BOCOM International STI Private Fund Management (Shanghai) Co., Ltd.* (交銀國際科創私募基金管理(上海)有限公司) since January 2022.

Ms. SHENG graduated from the Chinese National Academy of Arts with a doctorate degree in Arts in June 2017.

Report of the Directors

The Board presents its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in securities brokerage, margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. The regulated activities carried out by the Company's licensed subsidiaries include dealing in securities and futures and advising on securities and futures contracts, providing securities margin financing, advising on corporate finance and providing asset management services.

A list of the Company's principal subsidiaries as at 31 December 2023 and their particulars (including principal activities) are set out in Note 18 to the consolidated financial statements.

BUSINESS REVIEW

An analysis of the Group's principal activities by operating segments for the Year is set out in Note 4 to the consolidated financial statements.

A fair review of the Group's business, an analysis using financial key performance indicators, an indication of likely future developments in the Group's business, a description of the principal risks and uncertainties facing the Group, and particulars of important events affecting the Group that have occurred since the end of 2023 are set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report. The above sections form part of this Report of the Directors.

Please refer to "Environmental and Social Matters" and "Compliance with Laws and Regulations" paragraphs in this Report of the Directors for the Group's environmental policies and performance and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 122 to 123.

The Directors did not recommend the payment of a final dividend of the Year to the Shareholders.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the five largest customers of the Group accounted for less than 30% of the Group's total revenue for the Year.

The purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the Year.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 41 to the consolidated financial statements and in the consolidated statement of changes in equity on page 126 of this annual report, respectively.

As at 31 December 2023, the Company has no reserves available for distribution (2022: nil).

DONATIONS

During the Year, the Group did not make any charitable donations.

SHARE CAPITAL

Details of the Shares issued by the Company are set out in Note 33 to the consolidated financial statements for the year ended 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules as at the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 ended 31 December 2023.

DIRECTORS

The Directors during the year ended 31 December 2023 were:

Executive Directors

TAN Yueheng

ZHU Chen

CHENG Chuange (*resignation effective from 11 December 2023*)

WANG Xianjia (*redesignation from Non-executive Director to Executive Director effective from 11 December 2023*)

Non-executive Directors

SHAN Zengjian (*appointment effective from 29 June 2023*)

PO Ying (*retirement effective from 29 June 2023*)

Independent Non-executive Directors

TSE Yung Hoi

MA Ning

LIN Zhijun

The directors of the Company's subsidiaries during the Year and up to the date of this annual report are Mr. TAN Yueheng, Ms. ZHU Chen, Mr. CHENG Chuange, Ms. XI Xuanhua, Mr. SU Fen, Mr. WANG Xianjia, Ms. SHENG Jie, Ms. YI Li, Ms. CHOI Suet Yin, Mr. CHAN Chun Kwok, Ms. XIONG Ying, Mr. SUM Wai Kei Wilfred, Ms. LI Hongli, Mr. ZHANG Xiangbing, Mr. LI Wu, Ms. MA Yuan, Ms. GAO Tingting, Ms. CHEN Jing, Mr. HUANG Yan, Mr. ZHAO Honghao, Mr. LIU Lei, Ms. TANG Yi, Ms. ZHANG Manli, Mr. ZHANG Lebin, Mr. WU Chun Wan David, Mr. ZOU Chuantai and Mr. ZHANG Jing.

CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Mr. SHAN Zengjian has been a non-executive director of Bank of Communications (Hong Kong) Limited since November 2023.

Mr. TSE Yung Hoi has ceased to be an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (stock code: 0620) since October 2023 and an independent non-executive director of Vico International Holdings Limited (stock code: 1621) since March 2024.

Mr. LIN Zhijun has ceased to be an independent non-executive director of Dali Foods Group Company Limited since September 2023 and an independent non-executive director of Sinotruk (Hong Kong) Limited (stock code: 3808) since March 2024.

Report of the Directors

Reference is made to the Company's announcement (the "**Announcement**") dated 27 March 2024 in relation to, among others, the resignation of the Chief Executive Officer, re-designation of directors and appointment of the Chief Executive Officer and Executive Director. As Mr. XIE Jie's appointment and resignation as directors of BOCOM Financial Assets Investment Co., Ltd. and Bank of Communications Capital Management Co., Ltd. shall only be deemed to be formally completed after going through the relevant internal procedures within the respective companies, the term of office of Mr. XIE in the companies in respect of Mr. XIE's biographical details shall be as follows: the president of BOCOM Financial Assets Investment Co., Ltd. from July 2022 to December 2023, and executive director of the same company from July 2022 to February 2024, and chairman of the board of directors of Bank of Communications Capital Management Co., Ltd. from June 2023 to February 2024. Save as above, other information in the Announcement remains unchanged.

Save as disclosed in this report, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Biographical information of the Directors and Chief Executive is set out on pages 20 to 24 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a letter of appointment in relation to his/her role as a director of the Company.

None of the Directors has entered into any service contracts with any member of the Group which is not determinable by the Company (or other member of the Group) within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY

The Articles of Association provides that, subject to the Companies Ordinance, every Director, Company Secretary or other officer of the Company shall be indemnified by the Company against all expenses and liabilities incurred by him/her in the execution and discharge of his/her duties.

The Company has arranged for appropriate insurance policies for Directors' and officers' liabilities in respect of legal actions that may be brought against them, and such insurance policies were in force during the Year and as at the date of this Report of the Directors.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company during the Year or subsisted at the end of the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

During the Year, Mr. WANG Xianjia, an Executive Director (redesignated from Non-executive Director to Executive Director on 11 December 2023), and Mr. SHAN Zengjian (appointed on 29 June 2023) and Ms. PO Ying (retired on 29 June 2023), the Non-executive Directors, held certain directorships, executive roles and/or positions in the BOCOM Group.

The Articles of Association requires each Director to declare his/her interests in transactions or proposed transactions with the Group which may be in conflict with his/her duties or interests as a Director. In addition, the Group has implemented adequate internal approval and monitoring procedures in relation to continuing connected transactions to ensure that the interests of the Shareholders as a whole are safeguarded.

Save as disclosed above, none of the Directors is interested in any businesses apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Details of the connected transactions, continuing connected transactions and material related party transactions are set out in this Report of the Directors and Note 36 to the consolidated financial statements, respectively.

Save as disclosed above, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in the Year was a Director or any entity connected with such a Director had, directly or indirectly, a material interest subsisted at any time during the Year or at the end of the Year.

MANAGEMENT CONTRACTS

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

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Listing Rules were as follows:

Long Positions in Shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage to the total number of issued Shares of the Company (%)
TAN Yueheng	Beneficial owner	2,000,000	0.07

Long Positions in shares of associated corporation — BOCOM

Name of Director/ Chief Executive	Capacity	Class of shares held in the associated corporation	Number of shares held	Approximate percentage to the total number of relevant class of issued shares of the associated corporation (%)	Approximate percentage to the total number of issued shares of the associated corporation (%)
TAN Yueheng	Beneficial owner	H shares	244,000	0.00	0.00
		A shares	140,000	0.00	0.00
ZHU Chen	Beneficial owner	A shares	130,000	0.00	0.00
SHAN Zengjian	Beneficial owner	A shares	120,000	0.00	0.00
WANG Xianjia	Beneficial owner	A shares	70,000	0.00	0.00

Save as disclosed above, as at 31 December 2023, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

For the year ended 31 December 2023, none of the Company or any of its subsidiaries had signed any agreements to enable the Directors to acquire benefits by means of the acquisition of shares or debt securities (including debentures) of the Company or any other body corporate and none of the Directors, their spouses or their children under the age of 18 had any rights to subscribe for securities of the Company, or had exercised any such rights.

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

As at 31 December 2023, the interests and short positions of all persons (other than the Directors or Chief Executive of the Company) in the Shares and underlying Shares of the Company as required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or to the best of the Directors' knowledge, were as follows:

Name of Shareholder	Capacity	Long position/ Short position	Total number of Shares held	Approximate percentage to the total number of issued Shares of the Company (%)
BOCOM	Interest in a controlled corporation, beneficiary of trust ⁽¹⁾	Long position	2,000,000,000	73.14
BOCOM Nominee	Interest in a controlled corporation, trustee (other than bare trustee) ⁽²⁾	Long position	2,000,000,000	73.14

Notes:

- (1) Expectation Investment is an indirect subsidiary of BOCOM and is the beneficial owner of 500,000 Shares. BOCOM is deemed to be interested in an aggregate of 2,000,000,000 Shares which BOCOM Nominee is interested in as trustee (other than a bare trustee) and which Expectation Investment is interested in as beneficial owner.
- (2) BOCOM Nominee is a subsidiary of BOCOM and (a) holds 1,999,500,000 Shares on trust for BOCOM and (b) controls 50% of the voting rights of Expectation Investment which is the beneficial owner of 500,000 Shares.

Save as disclosed above, as at 31 December 2023, the Company was not aware of any other persons, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had interests or short positions in the Shares or underlying Shares of the Company that were required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted continuing connected transactions under the Listing Rules during the year ended 31 December 2023:

(a) Financial Services Framework Agreement

The Company entered into a financial services framework agreement (the “Financial Services Framework Agreement”) with BOCOM on 25 April 2017 to govern the existing and future provision of financial services between the Group and the BOCOM Group with effect from the Listing Date and shall continue up to and including 31 December 2019. The Financial Services Framework Agreement shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules. The automatic renewal of the term of the Financial Services Framework Agreement for the three years ended 31 December 2022 was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 14 June 2019. As the Company intends to continue to enter into transactions of similar nature after 31 December 2022, the automatic renewal of Financial Services Framework Agreement for the three years ending 31 December 2025 was approved by the Board on 31 May 2022 and approved by the independent Shareholders at the extraordinary general meeting of the Company held on 29 June 2022.

Under the Financial Services Framework Agreement, the Group provides the following financial services to the BOCOM Group:

- i. securities brokerage settlement and subscription of new shares;
- ii. investment advisory and management services; and
- iii. underwriting, sponsoring, securities issuance and advisory services.

Under the Financial Services Framework Agreement, the BOCOM Group provides the following financial services to the Group:

- i. deposit services;
- ii. customer referral services;
- iii. fund product distribution services; and
- iv. miscellaneous banking and financial services.

The Financial Services Framework Agreement provides that the provision of financial services by the Group to the BOCOM Group and by the BOCOM Group to the Group must be (i) in the ordinary and usual course of business of the Group and the BOCOM Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better to the Group, (iv) on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable transactions (in respect of the provision of financial services by the BOCOM Group to the Group) and on terms no less favourable than those offered by the Group to independent third parties for similar transactions (in respect of the provision of financial services by the Group to the BOCOM Group), (v) in accordance with the specified pricing policies and (vi) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

The annual cap in respect of the transactions contemplated under the Financial Services Framework Agreement for the year ended 31 December 2023 and the respective actual amounts received/paid in 2023 are as follows:

	Annual cap for the year ended 31 December 2023 (HK\$ million)	Actual amount for the year ended 31 December 2023
Revenue received by the Group from the BOCOM Group	281.5	30.6
Fees and commissions paid by the Group to the BOCOM Group	76.4	5.6

In respect of the customer referral services provided by the BOCOM Group to the Group under the Financial Services Framework Agreement, the Company and BOCOM (Hong Kong Branch) have entered into a referral agreement dated 25 April 2017 (the "Referral Agreement") pursuant to which BOCOM (Hong Kong Branch) has undertaken to refer to the Group for its consideration to undertake all margin financing for secondary market transactions of existing and new customers of BOCOM (Hong Kong Branch), except margin financing for secondary market transactions of private banking customers of BOCOM (Hong Kong Branch).

Report of the Directors

On 29 January 2018, the Bank of Communications (Hong Kong) Limited (Merger) Ordinance (Chapter 1182 of the Laws of Hong Kong) (the "Ordinance") became effective. Pursuant to the Ordinance, the existing activities, assets and liabilities which constitute the retail banking business and private banking business of BOCOM (Hong Kong Branch) have been transferred to Bank of Communications (Hong Kong) Limited in accordance with the requirements of the Ordinance. Due to the aforementioned transfer and in light of the spirit underlying the Referral Agreement, on 29 January 2018, the Company and Bank of Communications (Hong Kong) Limited entered into a referral agreement (the "Further Referral Agreement") pursuant to which Bank of Communications (Hong Kong) Limited has undertaken to refer to the Group for its consideration to undertake all margin financing for secondary market transactions existing and new customers of Bank of Communications (Hong Kong) Limited, except margin financing for secondary market transactions of private banking customers of Bank of Communications (Hong Kong) Limited. The key terms of the Further Referral Agreement are the same as those of the Referral Agreement except that Bank of Communications (Hong Kong) Limited is a party to the Further Referral Agreement instead of BOCOM (Hong Kong Branch).

Bank of Communications (Hong Kong) Limited has confirmed to the Company that it has complied with the terms of the Further Referral Agreement for the year ended 31 December 2023 and (if applicable) provided all relevant information as reasonably requested by the Independent Non-executive Directors for their annual review.

In addition to the annual confirmation provided by Bank of Communications (Hong Kong) Limited, BOCOM (Hong Kong Branch) has also provided to the Company a confirmation regarding its compliance with the terms of the Referral Agreement for the year ended 31 December 2023 and (if applicable) provided all relevant information as reasonably requested by the Independent Non-executive Directors for their annual review.

Based on the confirmations and information (where applicable) provided by BOCOM (Hong Kong Branch) and Bank of Communications (Hong Kong) Limited, the Independent Non-executive Directors are not aware of any non-compliance with the terms of the Referral Agreement and Further Referral Agreement by BOCOM (Hong Kong Branch) and Bank of Communications (Hong Kong) Limited, respectively during the Year.

(b) Derivatives Transactions Framework Agreement

The Company entered into a derivatives transactions framework agreement (the “Derivatives Transactions Framework Agreement”) with BOCOM on 25 April 2017 to govern all existing and future derivatives transactions between the Group and the BOCOM Group, with effect from the Listing Date and shall continue up to and including 31 December 2019. The Derivatives Transactions Framework Agreement shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules. The automatic renewal of the term of the Derivatives Transactions Framework Agreement for the three years ended 31 December 2022 was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 14 June 2019. As the Company intends to continue to enter into transactions of similar nature after 31 December 2022, the automatic renewal of Derivatives Transactions Framework Agreement for the three years ending 31 December 2025 was approved by the Board on 31 May 2022 and approved by the independent Shareholders at the extraordinary general meeting of the Company held on 29 June 2022. The derivatives transactions include commodity derivatives transactions with the BOCOM Group at specified prices and terms at the over-the-counter market and at an offshore commodity futures exchange on substantially similar prices with an insignificant spread and on otherwise identical commercial terms but in the opposite direction.

The Derivatives Transactions Framework Agreement provides that the derivatives transactions between the Group and the BOCOM Group must be (i) in the ordinary and usual course of business of the Group and the BOCOM Group, (ii) on an arm’s length basis, (iii) on normal commercial terms or better to the Group, (iv) on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable derivatives transactions and (v) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

Report of the Directors

The annual cap in respect of the transactions contemplated under the Derivatives Transactions Framework Agreement for the year ended 31 December 2023 and the respective actual amounts received/paid in 2023 are as follows:

	Annual cap for the year ended 31 December 2023 (HK\$ million)	Actual amount for the year ended 31 December 2023
Trading gains or losses to the Group ^{Note 1}	110.1	–
Maximum fair value recorded as financial assets	74.9	–
Maximum fair value recorded as financial liabilities	74.9	–

Note:

1. This does not include the trading gains or losses arising from the derivatives transactions in opposite directions to be entered into by the Group at offshore commodity futures exchanges (which do not constitute continuing connected transactions of the Company).

(c) Property Leasing Framework Agreement

The Company entered into a property leasing framework agreement with BOCOM (the “Property Leasing Framework Agreement”) on 25 April 2017 to govern the leasing of properties by the Group from the BOCOM Group with effect from the Listing Date and shall continue up to and including 31 December 2019. The Property Leasing Framework Agreement shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules. The automatic renewal of the term of the Property Leasing Framework Agreement for the three years ended 31 December 2022 was approved by the Board on 26 March 2019. As the Company intends to continue to enter into transactions of similar nature after 31 December 2022, the automatic renewal of Property Leasing Framework Agreement for the three years ending 31 December 2025 was approved by the Board on 31 May 2022.

The Property Leasing Framework Agreement provides that all the leasing transactions must be (i) in the ordinary and usual course of business of the Group and the BOCOM Group, (ii) on an arm’s length basis, (iii) on normal commercial terms or better to the Group, (iv) at rentals determined by reference to the prevailing market rents and on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable properties at the relevant locations and (v) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

The maximum total value of right-of-use assets related to the leases entered into by the Group for the lease of properties from the BOCOM Group for the year ended 31 December 2023 and the actual total value in 2023 are as follows:

	Annual cap for the year ended 31 December 2023 (HK\$ million)	Actual amount for the year ended 31 December 2023
Total value of right-of-use assets ^{Note 1}	124.0	96.6

Note:

- As the Hong Kong Financial Reporting Standards 16 is applicable to the Group, the Group recognizes the transactions contemplated under the Property Leasing Framework Agreement as acquisition of right-of-use-asset and a lease liability at the date which the leased asset is available for the use under the Property Leasing Framework Agreement where the relevant member(s) of the Group acts as a lessee. They are initially measured on a present value basis and depreciated over the shorter of the asset’s useful life or the lease term on a straight line basis. The annual cap represents the total value of right-of-use assets related to the leases which has been or anticipated to be entered into by the Group in the relevant year under the Property Leasing Framework Agreement.

(d) Financial Technology Services Framework Agreement

The Company entered into a financial technology services framework agreement (the “Financial Technology Services Framework Agreement”) on 1 December 2020 with BOCOM to govern the existing and future provision of financial technology services between the Group and the BOCOM Group with effect from 24 December 2020 and shall continue up to and including 31 December 2022. The Financial Technology Services Framework Agreement shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules. As the Company intends to continue to enter into transactions of similar nature after 31 December 2022, the automatic renewal of the Financial Technology Services Framework Agreement for the three years ending 31 December 2025 was approved by the Board on 31 May 2022 and approved by the independent Shareholders at the extraordinary general meeting of the Company held on 29 June 2022.

Under the Financial Technology Services Framework Agreement, the Group provides the following financial technology services to the BOCOM Group:

- i. computer software development, information system operation and maintenance services and information system integration services; and
- ii. information system consultancy services.

The Financial Technology Services Framework Agreement provides that the provision of financial technology services by the Group to the BOCOM Group must be (i) in the ordinary and usual course of business of the Group and the BOCOM Group, (ii) on an arm’s length basis, (iii) on normal commercial terms or better to the Group, (iv) on terms no less favourable than those offered by the Group to independent third parties for similar or comparable financial technology transactions, (v) in accordance with the specified pricing policies and (vi) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

The annual caps in respect of the transactions under the Financial Technology Services Framework Agreement for the year ended 31 December 2023 and the respective actual amounts received in 2023 are as follows:

	Annual cap for the year ended 31 December 2023 (RMB million)	Actual amount for the year ended 31 December 2023
Computer software development, information system operation and maintenance services and information system integration services	777.0	107.9 (HK\$116.9 million)
Information system consultancy services	626.0	0.8 (HK\$0.9 million)

Confirmation of Independent Non-executive Directors

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that:

- (i) the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group;
- (ii) the above continuing connected transactions have been entered into on normal commercial terms or better; and
- (iii) the above continuing connected transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation of auditor

The auditor of the Company has reviewed the above continuing connected transactions and confirmed that:

- (i) nothing has come to its attention that causes it to believe that the continuing connected transactions have not been approved by the Board;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) nothing has come to its attention that causes it to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to its attention that causes it to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

The related party transactions in respect of items denoted with "*" as disclosed in Note 36 to the consolidated financial statements constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the connected transactions and continuing connected transactions conducted during the year ended 31 December 2023.

ENVIRONMENTAL AND SOCIAL MATTERS

In order to further promote the sustainable development work of the Group and to implement the concept of sustainable development throughout the Group's daily operations, the Company has formulated the Administrative Measures for Environmental, Social and Governance Task Force, which aims to clarify the ESG Task Force structure, and specify the responsibilities of the Task Force members and reporting procedures for sustainable development work. Meanwhile, the Group actively promotes green office tips to achieve energy and resource savings and carried out environmental protection measures including saving paper, saving electricity, reasonable use of vehicles, support of green finance development and so on.

The Group believes that talent is the driving force for corporate development and is also an important intellectual asset. The human resources department of the Group has developed the human resources management system, which aims to regulate matters including recruitment and dismissal, promotion and training, compensation and benefits as well as working hours and holiday arrangements. During the year ended 31 December 2023 and up to the date of this annual report, the Group has not experienced any material labour disputes that have affected our operations and the relationship with employees has been satisfactory.

The Group offers comprehensive and integrated financial services and products that fulfill the various investment and financing needs of clients to create value for clients continuously. The Group has also formulated the Regulations on the Purchase and Management of Fixed Asset, which establish fair and transparent codes for suppliers' selection and management to minimise environmental and social risks in the supply chains. During the year ended 31 December 2023 and up to the date of this annual report, the Group has no material disputes between the clients and/or suppliers.

Details of the Company's compliance with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Listing Rules for the Year are set out in the "Corporate Social Responsibility Report" section of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The major laws and regulations that have a significant impact on the Group's business include the Companies Ordinance, the SFO, the Listing Rules and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong). During the year ended 31 December 2023 and up to the date of this annual report, the Group has implemented policies and procedures to ensure compliance with the relevant laws and regulations.

During the year ended 31 December 2023 and up to the date of this annual report, 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 have a significant impact on the businesses and operations of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance. Information on the corporate governance principles and practices adopted by the Company is set out in the “Corporate Governance Report” section of this annual report.

EVENT AFTER THE YEAR UNDER REVIEW

There was no significant event after the reporting period and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of auditor of the Company will be proposed at the upcoming annual general meeting.

By order of the Board

TAN Yueheng
Chairman and Executive Director

Hong Kong, 25 March 2024

Corporate Governance Report

The Company is committed to generating long-term value for Shareholders by maintaining good corporate governance and promoting transparency and accountability. The Company has adopted corporate governance guidelines and established risk management and internal control processes to achieve effective corporate governance and to monitor, evaluate and manage the principal risks assumed by the Group in its ordinary course of business.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code of the Listing Rules as its own code of corporate governance. During the year ended 31 December 2023, the Company has complied with all the code provisions set out in part 2 of the Corporate Governance Code.

CORPORATE CULTURE

BOCOM International seizes cross-border business opportunities from the stock connect programs and takes full advantage of our background as a securities firm within a banking group to provide one-stop financial services for global customers, with building a comprehensive financial services institution with global influence and market competitiveness in the region being its long-term strategic development goal. In addition, BOCOM International upholds the corporate culture of “being pragmatic, innovative & enterprising and responsible” and strictly follows the risk appetite of “being stable, prudent and compliant”. As a Sino-funded and listed enterprise, BOCOM International actively assumes its social responsibilities and makes its utmost efforts to contribute to the safety, stability and prosperity of Hong Kong, to achieve the organic unity among the Group’s corporate culture, value and development strategies, thereby establishing its image as a responsible corporate citizen, and is committed to creating greater value for its customers and Shareholders.

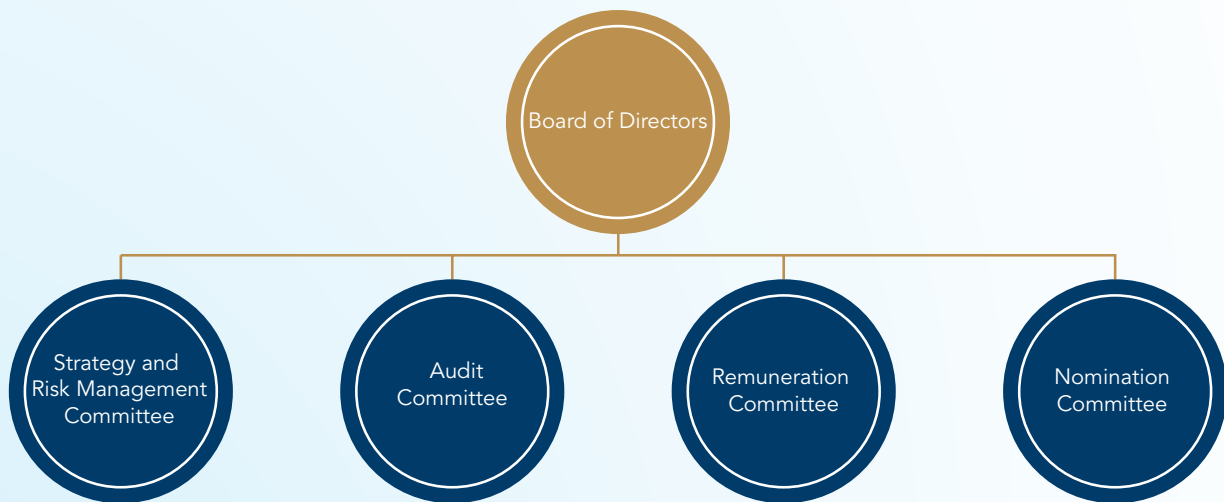
The Board and senior management of the Group set an example by valuing, and continuing to enhance, corporate culture construction, and strive to promote its corporate culture and value across the Group. The Board conducts regular self-assessment, and will make optimisation based on assessment results and Directors’ feedback. Furthermore, through good staff trainings, continuous optimisation of staff incentive and accountability systems, propaganda enhancement, etc., the Group facilitates its staff recognising its corporate culture and value, so as to achieve development cohesion.

CORPORATE GOVERNANCE FRAMEWORK

THE BOARD

Roles and Responsibilities of the Board and the Senior Management

The Board oversees the overall business and affairs of the Group. It sets the overall strategy and long-term objectives of the Group. The Board is also responsible for establishing risk management and internal control policies, assessing the effectiveness of the internal control systems of the Group and reviewing the Group’s operational and financial performance. The Board acts objectively to ensure decisions are made in the best interests of the Company. For operational efficiency, the Board has established the Audit Committee (formerly known as Audit and Risk Management Committee, renamed on 13 July 2023), Remuneration Committee and Nomination Committee, and has further established the Strategy and Risk Management Committee on 13 July 2023 to, among other things, support the Board in studying and formulating the Company’s development plans and reviewing the effectiveness of the Group’s risk management and internal control systems. Each committee has specific terms of reference setting out its authority and duties. The following diagram sets out the Company’s corporate governance framework:



The daily management and administrative functions of the Group are delegated to the senior management. The matters delegated to senior management include the implementation of the corporate governance policies and the operations of the Group’s business in accordance with the operating strategies as approved by the Board. The delegated functions and work tasks are reviewed regularly by the Board and clear guidance on the senior management’s authority is provided. The senior management is required to report and seek approval from the Board on material decisions. The Board reviews the performance of management and ensures that management has sufficient resources to meet their objectives.

Corporate Governance Report

The Board is responsible for the corporate governance of the Company. The Board has formulated corporate governance policies and will review them regularly with regard to the circumstances of the Group and pursuant to the Corporate Governance Code as amended from time to time. The Board's main corporate governance duties include:

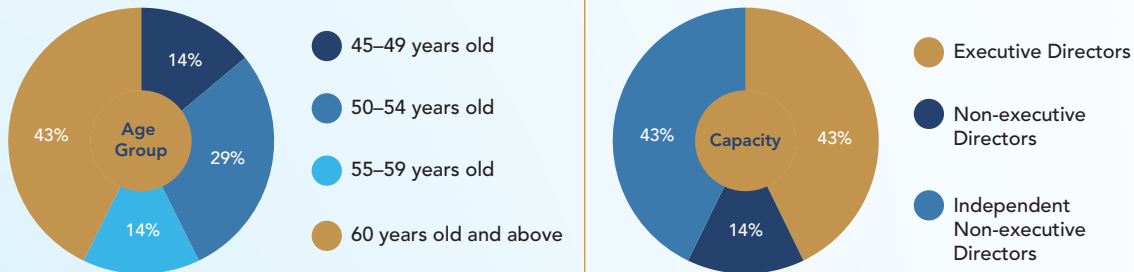
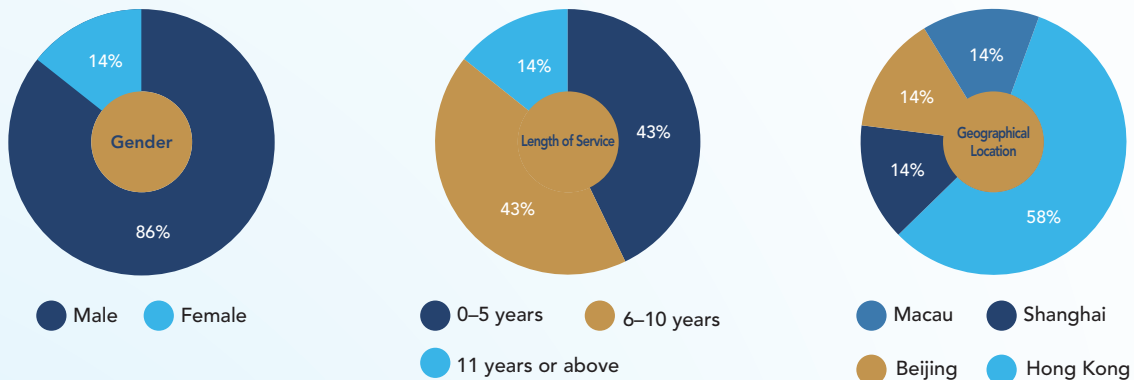
- (a) to develop and review policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance where applicable to employees and Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

Chairman and Chief Executive

During the Year, Mr. TAN Yueheng, the Chairman and an Executive Director of the Company, provided leadership for the board and ensures that the board works effectively and performs its responsibilities. Ms. ZHU Chen, the Chief Executive Officer and an Executive Director of the Company, is responsible for the day-to-day operations and management of the Group.

Board Composition

As at 31 December 2023, the Board consisted of 7 Directors, comprising 3 Executive Directors, Mr. TAN Yueheng (Chairman), Ms. ZHU Chen and Mr. WANG Xianjia; 1 Non-executive Director, Mr. SHAN Zengjian; and 3 Independent Non-executive Directors, Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun. The Board has maintained an appropriate mix of expertise and experience in industry knowledge, business management, regulatory compliance and risk management to enable it to carry out its duties effectively. The Directors’ biographical details are set out in the “Biographies of Directors and Senior Management” section of this annual report. An analysis of the Board’s composition as at 31 December 2023 is set out below:



During the Year, the Company had 3 Independent Non-executive Directors representing over one-third of the Board with 1 Independent Non-executive Director possessing appropriate professional accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

As at the date of this report, to the best knowledge of the Board, there is no financial, business or family relationship among members of the Board or the Chief Executive.

The Company has received from each of the Independent Non-executive Directors a confirmation of independence and considers all of them to be independent and meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

Mr. XIE Jie and Mr. WANG Yongqing were appointed as the Directors on 27 March 2024. The Company has received from each of them a confirmation on obtaining the legal advice referred to in Rule 3.09D of the Listing Rules on 26 March 2024 and understanding his obligations as a Director of the Company.

Corporate Governance Report

Re-election of Directors

Each Director has entered into a letter of appointment with the Company and will continue thereafter until terminated by either party giving to other not less than 3 months' notice in writing. In accordance with the Articles of Association, one-third of the Directors for the time being or, if the number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation. The Directors to retire every year will be those who have been in office the longest since their last re-election or appointment and will be eligible for re-election at the annual general meeting of the Company.

All Directors to be appointed or re-elected will be assessed and recommended by the Nomination Committee to the Board.

Board Diversity and Selection of Directors

The board diversity policy of the Company sets out objectives for the Company to ensure that its Board has the appropriate balance of skills, experience, diversity of perspectives that are required to support the execution of its business strategies and maintain the effectiveness of the Board's decision making. After the review of the board diversity policy of the Company and the review of the current Board members and structure, in order to achieve a balanced board as a whole, appointments and re-elections to the Board will be made on merit and factors including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge, independence, length of service and benefits and contributions to the Board. Therefore, during the Year, the Company, in terms of gender diversity, sets the target of appointing at least 1 female Director in order to achieve a female representation on the Board. The Board currently has 1 female Director and has achieved the gender diversity target. Furthermore, the Group is committed to upholding and embracing employees with different backgrounds, culture and gender where 47.2% of our staff (including the senior leadership roles) were female. For details on the diversity in workforce, please refer to the "Corporate Social Responsibility Report" of this annual report.

The Nomination Committee will take into account the related requirements of the board diversity policy of the Company, in the nomination and selection of Directors. In accordance with the nomination policy of the Company, candidates will be considered from a wide range of backgrounds and on merit based on objective criteria, and potential candidates for directorships will be sought through appropriate means including advertisements or external consultants, where necessary. In reviewing and recommending to the Board of any new Director appointment, the Nomination Committee will consider the following non-exhaustive factors:

- the structure, size and composition (including the skills, knowledge and experience, etc.) required for the Board;
- succession plans for the Directors and other senior executives, taking into account the challenges and opportunities faced by the Company, and the skills and experience that are therefore needed for the Board in the future;

- the leadership needs of the Group, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;
- the candidate’s merit and time and commitment to the position;
- the independence of independent non-executive Directors (where applicable); and
- independent views and inputs available to the Board.

The Nomination Committee will review the board diversity policy at least annually and monitor the implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Directors’ Professional Training and Development

Directors participate in appropriate continuous professional trainings to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company provides the latest information and reading materials to Directors relating to the Listing Rules, SFO, Anti-Money Laundering and Counter-Terrorist Financing Ordinance and relevant statutory and regulatory guidelines on the obligations and duties of a director of a listed company on a timely basis. The Company also invites professional advisers to conduct on-site intensive trainings for Directors and senior management to refresh and strengthen their knowledge of corporate governance practices and provides them with updates on the latest developments of relevant policies, rules and regulations. According to the records provided by the Directors and maintained by the Company, the training received by the Directors during the year ended 31 December 2023 is summarised as follows:

Directors	Types of training	
	Reading materials/articles <small>Note (1)</small>	Attending in-house briefings/seminars/workshops/forums/conferences <small>Note (2)</small>
Executive Directors		
Mr. TAN Yueheng	✓	✓
Ms. ZHU Chen	✓	✓
Mr. CHENG Chuange <small>Note (3)</small>	✓	✓
Mr. WANG Xianjia <small>Note (4)</small>	✓	✓
Non-executive Directors		
Mr. SHAN Zengjian <small>Note (5)</small>	✓	✓
Ms. PO Ying <small>Note (6)</small>	✓	✓
Independent Non-executive Directors		
Mr. TSE Yung Hoi	✓	✓
Mr. MA Ning	✓	✓
Mr. LIN Zhijun	✓	✓

Corporate Governance Report

Notes:

- (1) Materials/articles, newspapers and journals on updates on relevant statutory and regulatory requirements and environmental, social and governance reporting.
- (2) In-house seminars/workshops/forums/conferences related to topics including developments on the financial and economic environment, business and market changes, directors' power and duties under the regulatory requirements, and their responsibilities and continuing obligations, updates on rules and regulatory requirements, anti-bribery and anti-corruption regulatory requirements and trends in Hong Kong, privatisation of Hong Kong listed companies and matters relating to bonds issuance of listed companies.
- (3) Resigned with effect from 11 December 2023.
- (4) Redesignated from Non-executive Director to Executive Director with effect from 11 December 2023.
- (5) Appointed with effect from 29 June 2023.
- (6) Retired on 29 June 2023.

Board Meetings and Board Committees Meetings

The Board is scheduled to meet at least four times a year to discuss the Group's business development, operations and financial performance. At least 14 days' advance notice is given for all regular Board meetings to give all Directors an opportunity to attend and to include matters for discussion in the agenda. The Articles of Association provides for the Board meetings and Board committee meetings to be held by way of electronic means of communication. All Directors are provided with the meeting agenda and board papers at least 3 days before the meetings. The Directors have access to the management for enquiries and to obtain further information, and when required, may seek independent professional advice at the Company's expense. Minutes of meetings are kept by the Company Secretary. The management provides all Directors with monthly updates to ensure that they are kept informed of the Group's performance, position and prospects and assist them in discharging their duties.

The attendance records of Directors at Board and Board committee meetings for the year ended 31 December 2023 are set out as follows:

Name of Directors	No. of Meetings Attended/Held During Each Director's Tenure				
	Board	Strategy and Risk Management Committee Note (2)	Audit Committee Note (3)	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. TAN Yueheng ^{Note (4)}	7/7	7/7	–	–	2/2
Ms. ZHU Chen ^{Note (5)}	7/7	7/7	–	–	–
Mr. CHENG Chuange ^{Note (6)}	7/7	7/7	–	–	–
Mr. WANG Xianjia ^{Note (7)}	7/7	7/7	2/2	1/1	1/1
Non-executive Directors					
Mr. SHAN Zengjian ^{Note (8)}	4/4	7/7	–	1/1	1/1
Ms. PO Ying ^{Note (9)}	3/3	–	–	–	2/2
Independent Non-executive Directors					
Mr. TSE Yung Hoi	7/7	–	2/2	2/2	3/3
Mr. MA Ning ^{Note (10)}	7/7	–	–	2/2	3/3
Mr. LIN Zhijun	7/7	–	2/2	2/2	3/3

Notes:

- (1) Decisions at Board meetings and committee meetings are made by vote. Directors with material interests in matters were not involved in discussions and abstained from voting on the relevant resolutions.
- (2) Established with effect from 13 July 2023.
- (3) Renamed with effect from 13 July 2023.
- (4) Ceased to be the chairman of the Nomination Committee and appointed as the chairman of the Strategy and Risk Management Committee with effect from 13 July 2023.
- (5) Appointed as a member of the Strategy and Risk Management Committee with effect from 13 July 2023.
- (6) Appointed as a member of the Strategy and Risk Management Committee with effect from 13 July 2023 and resigned with effect from 11 December 2023.
- (7) Appointed as a member of the Strategy and Risk Management Committee, the Remuneration Committee and the Nomination Committee with effect from 13 July 2023, redesignated from Non-executive Director to Executive Director and ceased to be a member of Audit Committee with effect from 11 December 2023.
- (8) Appointed as a Director with effect from 29 June 2023, appointed as a member of the Strategy and Risk Management Committee, the Remuneration Committee and the Nomination Committee with effect from 13 July 2023 and appointed as a member of the Audit Committee with effect from 11 December 2023.
- (9) Retired on 29 June 2023.
- (10) Appointed as the chairman of the Nomination Committee with effect from 13 July 2023.

Corporate Governance Report

During the Year, the Chairman met once with the Independent Non-executive Directors without the presence of the other Directors to exchange views and recommendations on the business management and strategic development of the Group.

Mechanisms Established for the Board to Receive Independent Views and Inputs

There are established mechanisms that independent views and inputs are available to the Board. Each Director may express independent views and inputs on decision-making matters. If necessary, Directors are entitled to have independent access to the senior management of the Company and obtain further information to perform their duties, and also have the right to seek advice from independent professional advisors at the Company's expense. The Board shall comprise at least three Independent Non-executive Directors, representing no less than one-third of the Board member. A reasonably balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) shall be kept to ensure there is a strong independent element on the Board. When appointing Directors, the Nomination Committee may seek potential candidates through appropriate means including advertisements or external consultants, where necessary. In assessing suitability of candidates, the Nomination Committee will review their qualification, skills, knowledge, views and independence (only applicable to the appointment of Independent Non-executive Directors) having regard to the nomination policy and the board diversity policy of the Company. The Nomination Committee also assesses the time commitment devoted by and independence of Independent Non-executive Directors annually. The Directors are required to comply with requirements of relevant laws and regulations as well as the Articles of Association regarding the declaration of interest conflicts and abstention from voting. During the Year, the Board reviewed and considered the above mechanisms and the implementation of them were effective.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they had complied with the Model Code during the year ended 31 December 2023 in response to specific enquiry made by the Company.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover in respect of legal actions taken against its Directors and officers. The insurance coverage will be reviewed on an annual basis to ensure that the Directors and officers are adequately protected against potential legal liabilities.

BOARD COMMITTEES

Strategy and Risk Management Committee (Establishment effective from 13 July 2023)

The primary duties of the Strategy and Risk Management Committee, established on 13 July 2023, are to support the Board in studying and formulating the Company's development plans and reviewing the effectiveness of the Group's risk management and internal control systems. As at the end of the Year, the Strategy and Risk Management Committee comprised 4 members, namely, Mr. TAN Yueheng (Chairman), Ms. ZHU Chen and Mr. WANG Xianjia, all of whom are Executive Directors, and Mr. SHAN Zengjian, a Non-executive Director. Mr. CHENG Chuange resigned as an Executive Director and Deputy Chief Executive Officer of the Company with effect from 11 December 2023 due to work adjustment and automatically ceased to be a member of the Strategy and Risk Management Committee.

For the period from 13 July 2023 to 31 December 2023, the Strategy and Risk Management Committee held 7 meetings. The main duties and major works performed by the Strategy and Risk Management Committee included the review and approval of the recommendations to the Board on:

- the reports on the Group's risk management functions and risk appetite execution;
- the reports on the Group's business and operation management;
- the reports on the implementation of Group's assets allocation plan;
- the reports on implementation of the Group's budgeting;
- the policies and systems relating to the Group's corporate governance, risk management and internal control; and
- the Group's business development directions and strategic plan.

Audit Committee (formerly known as Audit and Risk Management Committee, renaming effective from 13 July 2023)

The primary duties of the Audit Committee are to oversee the financial reporting system and internal audit functions of the Group, review the financial information of the Group and consider issues relating to the external auditor and its appointment. Before the establishment of Strategy and Risk Management Committee, it also oversaw the effectiveness of the Group's risk management and internal control systems. As at the end of the Year, the Audit Committee comprised 3 members, namely, Mr. LIN Zhijun (Chairman), Mr. TSE Yung Hoi, both of whom are Independent Non-executive Directors, and Mr. SHAN Zengjian, a Non-executive Director. Mr. WANG Xianjia ceased to be a member of the Audit Committee since his redesignation as an Executive Director on 11 December 2023.

For the year ended 31 December 2023, the Audit Committee held 2 meetings. The main duties and major works performed by the Audit Committee during the Year included the review and approval of the recommendations to the Board on:

- the annual results of the Group for the year ended 31 December 2022, the 2022 annual results announcement and the 2022 annual report;

Corporate Governance Report

- the interim results of the Group for the six months ended 30 June 2023, the 2023 interim results announcement and the 2023 interim report;
- the effectiveness of the Group's financial reporting system, risk management, internal control systems and internal audit function; and
- re-appointment of auditor.

Remuneration Committee

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for the remuneration of Directors and senior management and on the establishment of formal and transparent procedures for developing remuneration policies, assessing the performance of Executive Directors, make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management and review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. As at the end of the Year, the Remuneration Committee comprised 5 members, namely, Mr. TSE Yung Hoi (Chairman), Mr. MA Ning and Mr. LIN Zhijun, all of whom are Independent Non-executive Directors, and Mr. WANG Xianjia, an Executive Director, and Mr. SHAN Zengjian, a Non-executive Director, appointed as members of the Remuneration Committee with effect from 13 July 2023.

For the year ended 31 December 2023, the Remuneration Committee held 2 meetings. The main duties and major works performed by the Remuneration Committee during the Year included the review and approval of the recommendations to the Board on:

- the overall remuneration packages of the Company;
- the remunerations of the Chairman and senior management;
- the remuneration of the appointed Non-executive Director and the redesignated Executive Director, Deputy Chief Executive Officer and Chief Risk Officer; and
- the adjustments to the standards of housing allowances for the senior management.

Nomination Committee

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the Independent Non-executive Directors, make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors and review the implementation and effectiveness of board diversity policy of the Company. The nomination of Directors shall be made in accordance with the criteria set out in the nomination policy, with due regard for the benefits of board diversity, as set out under the board diversity policy of the Company. For details please refer to the "Board Diversity and Selection of Directors" section of this report.

As at the end of the Year, the Nomination Committee comprised 5 members, namely, Mr. MA Ning (Chairman), Mr. TSE Yung Hoi and Mr. LIN Zhijun, all of whom are Independent Non-executive Directors, Mr. WANG Xianjia, an Executive Director, and Mr. SHAN Zengjian, a Non-executive Director. Mr. TAN Yueheng ceased to be the Chairman with effect from 13 July 2023 and succeeded by Mr. MA Ning. Mr. WANG Xianjia and Mr. SHAN Zengjian were appointed as members of Nomination Committee on 13 July 2023.

For the year ended 31 December 2023, the Nomination Committee held 3 meetings. The main duties and major works performed by the Nomination Committee during the Year included the review, approval of and recommendations to the Board on:

- the existing structure of the Board, Directors' performance, diversity of the Board, independence of the Independent Non-executive Directors;
- re-election of the Directors;
- adjustments on the composition of Board Committees; and
- appointment of Non-executive Director, and redesignation of Executive Director and appointment of Deputy Chief Executive Officer and Chief Risk Officer.

COMPANY SECRETARY

Ms. YI Li has developed a good understanding of the Listing Rules and obtained relevant experience. The Stock Exchange has confirmed that Ms. YI is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules. The Company does not engage any external service provider as the company secretary.

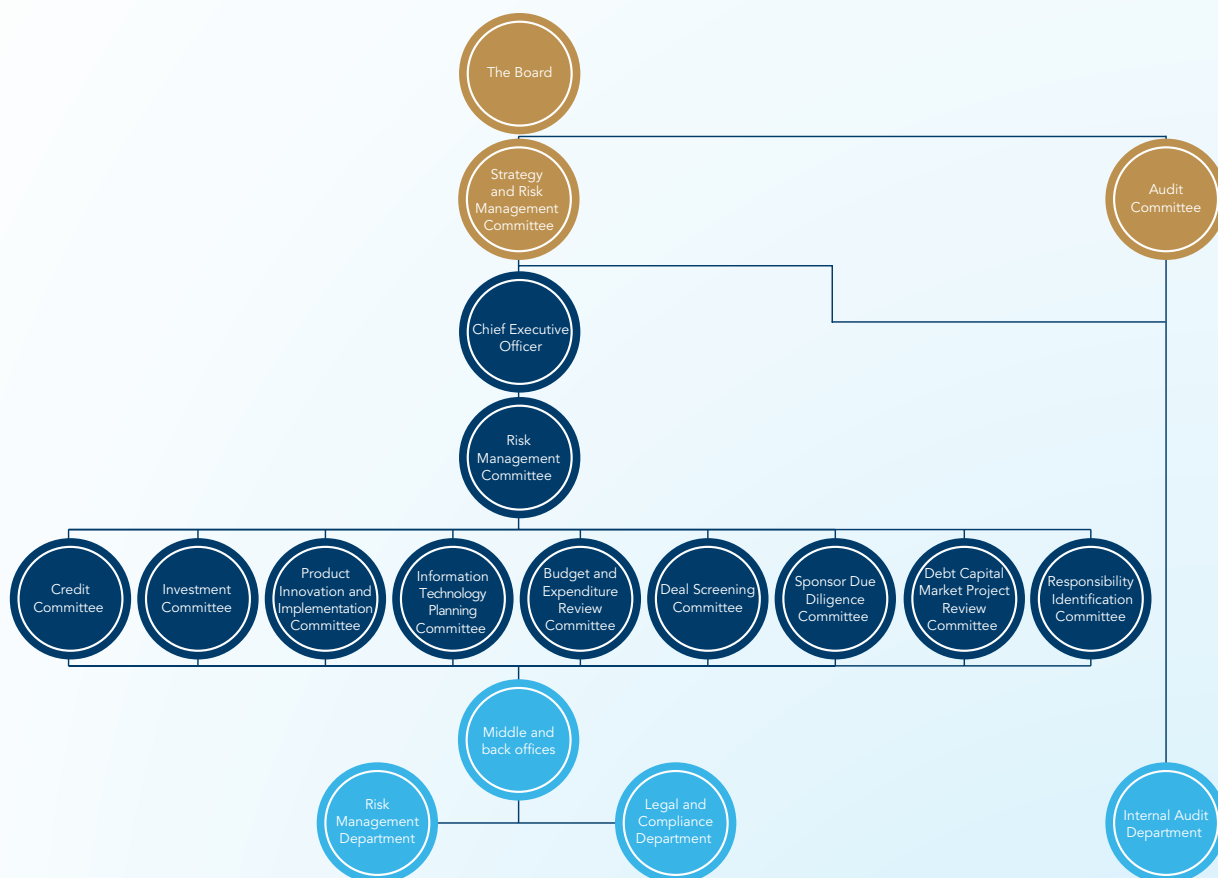
Ms. YI has taken no less than 15 hours of the relevant professional training during the Year as required under Rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is committed to upholding good corporate governance and has established comprehensive risk management and internal control processes to monitor, evaluate and manage the principal risks assumed in the ordinary course of the Group's business. The Group strives to reduce the uncertainties related to its business strategies, seeks to achieve a balance between business development and risk management efficiency, and proactively builds its risk management culture into every level of the Group.

Corporate Governance Report

The Group has established a three-tier risk management structure consisting of (i) the Board (including the Board Committees); (ii) a risk management committee and special committees; and (iii) the relevant middle and back offices in charge of the execution of risk management processes. The following chart illustrates our risk management framework:



The Board, with the support from the Strategic and Risk Management Committee, is responsible for establishing the Group's overall risk management framework, overseeing the Group's risk management processes, reviewing and approving the Group's risk management and internal control policies and strategies, and assessing the effectiveness of the Group's risk management and internal control systems. During the daily operation management, the Risk Management Committee led by the management is the decision-making body of risk management. Its primary responsibilities include: (i) reviewing the risk management objectives of the Group according to the risk management strategies determined by the Board and senior management, and formulating overall policies, tactics and management procedures regarding overall risk management; (ii) determining risk mitigation plans for major risk management events, and monitoring the implementation of the risk management systems, rules and procedures at each line of responsibility within the Group; (iii) assessing periodically the Group's overall risk management performance, risk tolerance level and the effectiveness of the internal control policies of the Group; and (iv) supervising the special committees under its auspices in their respective risk management work.

The 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 Company has implemented various risk management and internal control measures to manage the risks (including environmental, social and governance risks) associated with the business activities of the Group. Details relating to the principal risks faced by the Group are set out in "Management Discussion and Analysis" in this annual report. The internal audit department of the Group is responsible for auditing and examining the effectiveness and implementation of the risk management procedures and conducting an overall evaluation of the risk management systems of the Group. The internal audit department of the Group reports to the Strategic and Risk Management Committee annually to assist the Committee to assess the effectiveness of the Group's risk management and internal control systems. The Audit Committee shall supervise and assess the work of the internal audit function. The above matters shall be ultimately reported to the Board. At least once a year the Audit Committee shall meet with the external auditor and internal audit department separately without the executive Directors or management being present.

The Company has established a whistleblowing policy and system for employees and related third parties to report any misconduct, malpractice or irregularity within the Group, in confidence and anonymity, with the Audit Committee. Also, the Group has established policies and systems to promote and support the anti-corruption laws and regulations. For details, please refer to the "Corporate Social Responsibility Report" of this annual report.

The Board and the Strategy and Risk Management Committee with the assistance of the senior management, have conducted a review of the effectiveness of the Group's risk management and internal control systems for the Year, covering all material controls including financial, operational and compliance controls. The Board acknowledges that it is responsible for the risk management and internal control systems of the Group and considers that such systems are effective and adequate.

CONSTITUTIONAL DOCUMENTS

The amended Articles of Association were adopted on 25 April 2017 and have taken effect on the Listing Date. There were no amendments to the Articles of Association during the Year.

SHAREHOLDERS' RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy to ensure Shareholders, investment community, including potential investors and analysts, are provided with timely and equal access to the information related to the Company, including but not limited to its financial performance, strategic goals and plans, material development, governance and risks, to allow Shareholders to exercise their rights in an informed manner, as well as enable Shareholders, the investors and stakeholders to actively communicate with the Company. In June 2023, to promote better engagement with and maximise participation by the Shareholders, the Company held an annual general meeting through hybrid meeting where Shareholders were able to attend, raise questions and vote electronically through the online platform. Interim and annual results and reports as well as other corporate communications were published within the time frame and in accordance with the Listing Rules. The Company also made

Corporate Governance Report

use of various communication channels, including company website, press releases, media interviews and Wechat Official Account, etc. to keep Shareholders, investors and other stakeholders of the latest developments of the Group. The Company would communicate with investors via its investor mailbox (ir@bocomgroup.com) in timely manner and hold investor conferences/roadshows and analyst conferences from time to time as appropriate. During the Year, the Board reviewed the shareholders engagement and communication activities and was satisfied with the implementation and effectiveness of the above shareholders' communication policy.

General Meetings

The Company recognises the importance of timely disclosure of information, which will enable Shareholders and investors to make informed investment decisions. The annual general meetings provide an opportunity for the Shareholders to communicate directly with the Directors. The Company encourages the Shareholders to attend the annual general meetings of the Company. The Directors and Chairman of each of the Strategy and Risk Management Committee, Audit Committee, Remuneration Committee, Nomination Committee (or a delegated member of the Committee), as well as the Chairman of the independent board committee (if applicable) and members of senior management will normally attend the annual general meetings of the Company to answer queries about the Group's business. All the then Directors, including Mr. TAN Yueheng, Ms. ZHU Chen, Mr. CHENG Chuange, Ms. PO Ying, Mr. WANG Xianjia, Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun, attended the annual general meeting of the Company held on 29 June 2023 in person or by electronic means. Representative from KPMG the auditor, was also present at the annual general meeting, together with the Directors, to respond to enquiries raised by the Shareholders, if any.

The circulars for the annual general meeting will be published at least 21 days before the meeting on the Company's website (www.bocomgroup.com) and the Stock Exchange's website (www.hkexnews.hk). All voting of the resolutions at the general meeting will be taken by poll pursuant to the Listing Rules and the poll results will be published on the above websites. Corporate communications with Shareholders will be posted on the Stock Exchange's website and the Company's website for Shareholders' information. Shareholders may make written request to the Company's share registrar to receive corporate communications in printed form for a valid period, if they so wish.

Dividend Policy

The Board has adopted a dividend policy. The Company aims to provide stable and sustainable returns to Shareholders. The Board will consider the results of operations, profits, financial position, cash requirements and available cash, capital expenditure and future development needs of the Group in recommending a dividend payment and deciding the amount thereof, or adopting scrip dividend schemes and other appropriate alternatives to provide returns to Shareholders.

The Company does not guarantee the payment of any specific amount of dividend during the specified period. The dividend payment will be subject to the Articles of Association and statutory and regulatory restrictions upon the payment of dividends. The Board reviews the dividend policy from time to time.

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to the Companies Ordinance, one or more Shareholders representing at least 5% of the total voting rights of all members having the right to vote at general meetings of the Company may request that the Directors call a general meeting. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The requisition must be authenticated by the person(s) making it and should be sent to the Company in hard copy form (by depositing it at the registered office of the Company for the attention of the Board) or in electronic form (by email to ir@bocomgroup.com).

Procedures for Shareholders to Put Forward Proposals at General Meetings

According to the Companies Ordinance, one or more Shareholders representing at least 2.5% of the total voting rights of all members having a right to vote, or, at least 50 Shareholders who have a right to vote, may by written request require the Company to circulate resolutions which may properly be moved and are intended to be moved at an annual general meeting; and to circulate statements regarding resolutions proposed at general meetings. The requisition must be authenticated by the person(s) making it and should be sent to the Company in hard copy form (by depositing it at the registered office of the Company for the attention of the Board) or in electronic form (by email to ir@bocomgroup.com).

Enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Board through the Company Secretary at the address of 10/F., Man Yee Building, 68 Des Voeux Road Central, Hong Kong. The Company Secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to address the Shareholders' enquiries and concerns.

Shareholders should direct their questions in relation to their shareholdings to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

HANDLING OF INSIDE INFORMATION

The Company has adopted an inside information disclosure policy in accordance with the SFO and the Listing Rules to ensure confidentiality when handling inside information and the publication of relevant disclosures to the public as soon as reasonably practicable. Under this policy, the Company disseminates information to specified persons on a need-to-know basis, and requires all employees who have access to the inside information to maintain strict confidentiality of the inside information until it is announced. The policy also sets out the scope of inside information and the procedures and precautionary measures for reporting or leakage of inside information of the Group.

EXTERNAL AUDITOR

Following the retirement of PricewaterhouseCoopers as the auditor of the Company at the annual general meeting held on 29 June 2022, KPMG, Certified Public Accountants, was appointed as the new auditor of the Company by the Shareholders at that annual general meeting. The re-appointment of KPMG as the auditor of the Company was duly passed at the annual general meeting of the Company held on 29 June 2023.

For the year ended 31 December 2023, the total fees paid/payable in respect of current year audit and non-audit services provided to the Group by the Group's external auditors, KPMG, as well as audit services related to prior years, are set out below:

	HK\$'000
Audit fee for the Group	6,099
Taxation and other advisory services	35

DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare the financial statements of the Group for the Year on a going concern basis, showing a true and fair view of the state of affairs of the Company and the Group, and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. A statement by the external auditor about its reporting responsibilities is set out in the Independent Auditor's Report.

Corporate Social Responsibility Report

ABOUT CORPORATE SOCIAL RESPONSIBILITY REPORT

This corporate social responsibility report (the “Report”) is the seventh corporate social responsibility report issued by the Group. It aims to set out the principles and performance of the Group in relation to sustainable development in fulfilling its corporate social responsibility in 2023 and respond to material issues of concern to key stakeholders. Please see the “Corporate Governance Report” chapter of this annual report or visit the official website of the Group (<https://www.bocomgroup.com/>) for details of the Group’s corporate governance.

Scope of Report

Unless specified otherwise, the scope of disclosure¹ of the Report covers Hong Kong as the main place of business of the Group.¹ The time range is from 1 January 2023 to 31 December 2023 (the “Reporting Period”).

Basis of Preparation

The Report has been prepared in accordance with the principles of materiality, quantitative, balance, and consistency as set out in Appendix C2 Environmental, Social and Governance Reporting Guide (2023 Edition) (the “Guide”) under the Listing Rules. The Report is in compliance with the “comply or explain” provisions set out in the Guide, and describes the environmental and social impacts arising from the business and operating activities of the Group.

¹ Data about workforce and training hours in the Report include those from Mainland and Hong Kong offices, which are consistent with the annual report.

Corporate Social Responsibility Report

Materiality

The Group identified material issues related to the Group through a materiality assessment procedure and made relevant disclosure in the Report. Such procedure included: identifying sustainable development issues related to the Group and key stakeholders, inviting all stakeholders and the Board to prioritise the sustainable development issues in order of importance, carry out analysis on material issues, etc. The Report has been prepared by focusing on the material issues verified by the Board. For details on the materiality assessment procedure, please refer to the chapter headed “Stakeholder Engagement” in the Report.

Quantitative

In order to comprehensively evaluate the Group’s performance in Environmental, Social, and Governance (ESG) aspects during the Reporting Period, the Group made disclosure regarding the applicable quantitative key performance indicators (KPIs) as set out in the Guide, and explained the standards, methods, assumptions, and calculation tools adopted for such quantitative KPIs, including the source of key conversion factors.

Balance

The Report provides an unbiased picture of the Group’s performance during the Reporting Period and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

Consistency

The Report has adopted, as far as practical, the same data statistical and collection methodologies as those applied for the previous reporting period to provide a meaningful comparison of the Group’s performance during the Reporting Period for all stakeholders. Changes to the methodologies will be presented and detailed in the corresponding chapters by the Group.

Opinion

We value your feedback on the Report. If you have any enquiries or valuable suggestions for the Report, please feel free to contact us by:

Email: ir@bocomgroup.com

Address: 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong

SUSTAINABLE DEVELOPMENT GOVERNANCE

Environmental, Social, and Governance System

The Group incorporates the concept of sustainable development into its corporate governance framework, and has established the ESG-related issue governance structure led by the Board, in a bid to fulfil the commitment to sustainable development. The Board has overall responsibility for the Group's ESG strategy and reporting, and has authorised its subordinate ESG Task Force (the "Task Force") to assist in performing such duties. The Task Force consists of a member of senior management as the leader, the Board Office as the secretariat, and representatives of other relevant functional departments/organisations. In daily operations, the Task Force performs its duties in accordance with the Administrative Measures for the Environmental, Social and Governance (ESG) Task Force (the "Administrative Measures for Task Force") and the Measures for the Administration of Climate Change-Related Issues, including organising ESG-related training and meetings in a timely manner and engaging third-party consultants to assist the Group in ESG-related work. The Task Force regularly reported on materiality assessment, the progress of ESG targets, ESG risk management conditions, climate change related policies, and the work of the Report to the Board during the Reporting Period. The Board also discussed and approved the related ESG matters.

The Administrative Measures for Task Force and the Measures for the Administration of Climate Change-Related Issues aim to clarify the responsibilities of the Task Force's members and the reporting procedures for sustainable development and climate change, so as to strengthen the Board's engagement in the work related to ESG and climate change management and the implementation of ESG-related policies. The Board keeps abreast of the latest regulatory requirements and trends in climate disclosure and continuously facilitates the implementation of the sustainable development governance concept and the relevant strategies by the Group. The Task Force also reviews the effectiveness of the Administrative Measures for Task Force and the Measures for the Administration of Climate Change-Related Issues as appropriate to ensure it has the full authority to assist the Board in fulfilling its responsibility of managing matters related to ESG and climate change.

The major duties of the Task Force are as follows:

- to assist in identifying, evaluating, and prioritising the Group's material ESG issues, report to the Board for identification of the material issues, and verify results;
- to assist the Board in analysing the potential risks and opportunities and related impacts from the material ESG (including climate change) issues on the Group's business strategy and establishing an appropriate and effective ESG and climate change risk management and internal control system;
- to assist the Board in setting the Group's ESG-related objectives, and regularly review the progress towards achieving these objectives;
- to prepare and submit an annual corporate social responsibility report to the Board for approval and ensure that the report meets regulatory requirements; and

Corporate Social Responsibility Report

- to assist the Board in formulating and reviewing the existing ESG and climate change governance approaches and strategies as appropriate.

ESG Risk Management

The Group actively manages ESG risks within its sphere of influence and the Board undertakes the overall ultimate responsibility for the ESG risk management and internal control system of the Group. To ensure the effectiveness of the implementation of the system, the Task Force assists the Board in identifying, assessing, prioritising, and managing its key risks across the environment, society, and technology through a systematic process. The detailed process is as follows:

Step 1: Risk identification and establishment of ESG risk database

The Group analysed major trends related to the Group's business, material sustainability issues, and issues of concern to peers, screened out 18 ESG risks related to the Group, and established the ESG risk database for the Reporting Period.

Step 2: Prioritisation of ESG risks

The Group scored from two dimensions of "severity of risk occurrence" and "likelihood of risk occurrence". Based on the scores, the Group obtained the level and matrix of ESG risks, and identified a total of 15 material ESG risks in the environmental, social, and technological areas.

Step 3: Inviting the Board to confirm material ESG risks

The Task Force reported ESG risks results to the Risk Management Committee and invited the Board for final confirmation. The Group developed and implemented appropriate risk management measures in response to the findings and included ESG risks in the corporate risk management process.

Based on the results of the ESG risk assessment, the Group has identified the following ESG risks that are critical to its operations and business during the Reporting Period, and reviewed relevant control measures to ensure that these risks could be effectively controlled.

Aspects	Material ESG risks	Risk management and control measures
Environmental	Climate change	<ul style="list-style-type: none"> - The Group continuously updated the Measures for the Administration of Climate Change-Related Issues, which sets out response measures for physical and transition climate change risks, including monitoring, risk management and contingency plans, in a bid to manage the impact of potential climate risks. - The Group formulated the Administration of Business Continuity to address serious operation disruptions caused by natural disasters (including but not limited to fire, hurricane, tsunami, and other extreme weather conditions) and clearly defined the division of duties and responsibilities of the management, leading departments, executive departments, and support departments. Key businesses are required to be covered in daily business continuity management, and business continuity plans must be put in place. Each year, business continuity plans will be reviewed and drills will be performed accordingly. - The Group prepared the Measures of BOCOM International for the Management of Climate-related Risks to explain the investment risks caused by climate-related risk factors, to clarify relevant management requirements, and the corresponding risk management responsibilities of business units, and to integrate climate-related risk factors into the investment risk management framework, with a view to ensuring the compliance with the pertinent requirements of the Securities & Futures Commission of Hong Kong (SFC). Meanwhile, climate change risk indicators were set up, incorporated into the Group's overall risk appetite framework, brought under regular monitoring, and reported to the Risk Management Committee and the Board.
	Natural disasters	<ul style="list-style-type: none"> - The Group established in-house policies, including the Administration of Business Continuity, the Human Resources Management System, and the Measures for Emergency Management, to deal with operational problems caused by natural disasters, including employee commuting and operations arrangements.

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Aspects	Material ESG risks	Risk management and control measures
	Green finance	<ul style="list-style-type: none"> - For the direct investment business, the Group formulated the Administration of Direct Investment Risks of BOCOM International to carry out negative list screening in the due diligence process for client onboarding, and explicitly prohibit making investments in industries that go against the national policies or regulatory requirements, and those that are expressly prohibited by the country. In the project review process, the Group identified the ESG aspects of a target company, including assessing whether the business mode of the target company is in line with the national policies for green development, low-carbon recycling economy, etc., and whether the target company belongs to any of the energy-intensive industries, high-emission industries, and industries with overcapacity. - For the secondary market investment business, the Group formulated the Administration of Securities Investment Business, clearly stating that "in order to fulfil the social responsibility of listed companies, it is recommended that relevant investments prioritise eco-friendly industries and avoid industries such as arms, gaming, and tobacco in principle, on the premise of the same risks and returns".
Social	Infectious disease	<ul style="list-style-type: none"> - The Group promptly adjusted relevant work arrangements in accordance with the latest requirements of the Hong Kong SAR Government, and provided sufficient sanitiser supplies for employees. If employees were infected with an infectious disease, we made arrangements for them to work at home or take sick leave as appropriate. - The Group formulated relevant policies, including the Measures for Emergency Management and the Measures for the Administration of Business Continuity, in order to strengthen internal management.
	Standardisation of product marketing	<ul style="list-style-type: none"> - The Group formulated policies, including the Compliance Manual, the Rules and Guidelines for Front-line Employees in Securities and Futures Business, the Measures for Fund and Account Management, and the Measures for the Administration of Investment Banking Business, to regulate employees' behaviour and operations, with a view to reducing product marketing violations caused by improper operation.

Aspects	Material ESG risks	Risk management and control measures
		<ul style="list-style-type: none"> - The Group formulated the Employee Violation Handling Measures of BOCOM International to regulate professional behaviour of employees and intensify internal management.
	Client services	<ul style="list-style-type: none"> - The Compliance Manual was established to standardise the procedures to handle clients' complaints, in order to ensure proper and timely handling of all comments from clients. - While dealing with clients' demands which do not meet corporate policies, the Group did everything possible to communicate with the clients concerned to reduce dissatisfaction.
	Client data privacy and security	<ul style="list-style-type: none"> - The Group formulated a number of in-house management policies, including the Compliance Manual, Information Security Policy, Data Classification and Data Security Management Measures, Data Security Management Measures for BOCOM International Information Systems, and Technical Specification for Security of BOCOM International Information Systems, to ensure that marketing and business processes shall comply with the Personal Data (Privacy) Ordinance and other necessary regulatory requirements as provided by the Legal and Compliance Department of BOCOM International. - A series of measures were taken to prevent employees from illegally leaking client information and strengthen internal data security protection and management, which included introducing user data access control, providing related staff training and assessment, and enhancing awareness of client data confidentiality among staff members. - The Group strengthened the risk prevention workflow and client privacy protection measures. For instance, once an abnormal login to the online trading platform was detected, the system would notify the business department, and the business department would contact the client to verify the situation.
	Change in working mode	<ul style="list-style-type: none"> - A mobile office platform was set up for employees in need, and employees working remotely from home were required to keep their phones on to ensure the smooth day-to-day operations of departments. - The Information Technology Department provided support services. If employees encountered difficulties in operation, they could seek assistance from the colleagues on duty.
	Employee benefits and welfare	<ul style="list-style-type: none"> - The Human Resources Management System was formulated to regulate the composition of employee compensation and benefits.

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Aspects	Material ESG risks	Risk management and control measures
		<ul style="list-style-type: none"> - The Group refers to the compensation survey report in Hong Kong every year to evaluate whether the compensation of employees is competitive, and then make further adjustments. It also provides medical examination reimbursement, purchases medical, life, accident, disability, and critical illness insurances, and pays back contributions to Mandatory Provident Fund scheme for employees on an annual basis. - It set up the Recreation Committee responsible for organising and coordinating employee activities, in an effort to strengthen communication between all levels.
	Employee training and development	<ul style="list-style-type: none"> - With the Human Resources Management System, the Group regulated the management of staff training and training subsidies and encouraged employees to take part in training. - According to the needs of business and employees, different training activities were held regularly for employees and employees were also offered with training subsidies.
	Safeguarding intellectual property rights	<ul style="list-style-type: none"> - The Information Security Policy was formulated to regulate the use of internal genuine computer software and avoid infringement of external intellectual property rights. - The Group regularly filed and updated trademarks and domain names in Mainland China and Hong Kong to protect its intellectual property rights.
	Anti-corruption and anti-money laundering risks	<ul style="list-style-type: none"> - The Group established the Compliance Manual, the Measures for Anti-Money Laundering and Counter-Financing of Terrorism, and the Whistleblowing Policy to encourage employees to fight against money laundering and terrorist financing. - Regular internal training sessions are held every year to deepen employees' understanding of laws and regulations and further reduce the probability of improper incidents. - The policies the Group established, including the Measures on Annual Compliance Audit for Anti-Money Laundering and the Measures on Annual Compliance Review for the Prevention of Bribery Code, stipulate that the Legal and Compliance Department shall conduct annual reviews on anti-money laundering and anti-corruption to reduce related risks.
	Human rights standards	<ul style="list-style-type: none"> - With formulation of the Human Resources Management System, the Group strictly abided by the relevant labour laws to regulate the recruitment and promotion processes and working hours, in a bid to avoid human rights violations such as discrimination, child labour, and forced labour.

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Aspects	Material ESG risks	Risk management and control measures
	Geopolitical risks	<ul style="list-style-type: none"> - The Group formulated the Negative List of BOCOM International for Onboarding Clients to Direct Investment Business, specifying that clients included in international sanctions lists of all sorts issued by countries, regions, and organisations fall under the restricted category and are managed in accordance with the requirements of such lists. - The Group formulated and adopted the Country Risk Management Rules of BOCOM International, according to which it implemented the limit management requirements, conducted regular country risk monitoring, and incorporated country risk into the risk appetite regime.
Technological	Cybersecurity	<ul style="list-style-type: none"> - The Group established in-house management policies, such as the Information Security Policy and the Cybersecurity Risk Management Framework, to deploy the data loss prevention (DLP) system and strengthen its internal cybersecurity management and related practices. - The Information Technology Department conducted disaster recovery drills and gradually stepped up efforts in disaster preparedness to strengthen the capability to defend against cyber attacks.

Sustainable Development Objectives

The Group is committed to becoming a comprehensive wealth management and financial services institution with global influence and regional market competitiveness, and is determined to enhance the sustainability and competitiveness of its business continuously. While developing its business, the Group also seeks to concurrently fulfil its environmental and social responsibilities. During the Reporting Period, we kept pursuing the established environmental objectives to further promote corporate sustainability.

The Group adheres to our original intention of creating sustainable value for all stakeholders in four major areas, and were constantly pursuing our further goals:

STEADY OPERATION

Safeguarding compliance operations, seizing market opportunities, continuously optimising products and services, and enhancing client experience



CARE FOR EMPLOYEES

Creating a working environment full of humanistic care and building an efficient and collaborative elite team



CARE FOR THE COMMUNITY

Supporting community growth, with the aim of promoting socially sustainable development



CARE FOR THE ENVIRONMENT

Committed to reducing the environmental impact of business operations, supporting green finance business, and comprehensively enhancing the environmental performance of the Group



The implementation of sustainable development objectives during the Reporting Period:

STEADY OPERATION

- Strengthening risk management and control to ensure smooth business operation and balance risks and returns
- Providing the “Electronic Direct Debit Authorisation” (EDDA) function that allows clients to make deposits without waiting for approval during trading hours, thereby optimising client experience

CARE FOR EMPLOYEES

- Attaching great emphasis to employees’ health and well-being
- Strengthening business ethics, anti-corruption, and anti-money laundering training to regulate compliance with high ethical standards in business practices by employees

CARE FOR THE ENVIRONMENT

- Implementing the environmental objectives set in 2021 to promote corporate sustainability, such as:
 - Reducing carbon emissions by means such as implementing the internal document titled Vehicle Management Measures, strengthening the management of company cars, and reducing business travels
 - Increasing the recycling rate of waste paper and electronic equipment in the office
 - Enhancing the utilisation rate of energy efficiency labelled electrical appliances to reduce energy consumption in the office
 - Raising awareness of environmental protection and energy conservation among staff members
- Implementing low-carbon operation measures and raising awareness of environmental protection to proactively combat climate change
- Assisting in 18 green bond issuance projects and one blue bond issuance project, and establishing one green fund to support the development of green industries

CARE FOR THE COMMUNITY

- Devoting to community education, aiming to improve people’s well-being

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Stakeholder Engagement

The Group is keenly aware of the critical importance of stakeholder engagement to its sustainable development. Therefore, we attach great importance to stakeholders' opinions and concerns, communicate with them through a diversity of channels, and put in place a comprehensive communication mechanism to learn about their suggestions and expectations. We can take stakeholders' opinions into consideration when developing and implementing sustainable development strategies, in a bid to enhance our performance in sustainable development.

Communication Channels with Stakeholders

Regulatory Authorities	<ul style="list-style-type: none"> • Meetings • Written Response to Public Consultation • Compliance Reports
Company Employees	<ul style="list-style-type: none"> • Performance Appraisals • Meetings and Interviews/Briefings • Seminars/Workshops/Lectures/Training Sessions • Team Building Activities/Volunteer Activities • Outstanding Employee Award and Recognition Events
Clients	<ul style="list-style-type: none"> • Client Satisfaction Surveys and Feedback • Client Service Centres/Intelligent Client Service Robot • Daily Operations/Interactions • Telephone/E-mail Communication
Investment Sector	<ul style="list-style-type: none"> • Corporate Communications, e.g. Interim Reports, Annual Reports, Announcements, and Circulars • Investor meetings/Roadshows • Analyst Conferences • Roadshow Activities • Investor Mailbox
Financial Sector Peers	<ul style="list-style-type: none"> • Strategic Cooperation Projects • Financial Sector Sharings and Discussions
Community	<ul style="list-style-type: none"> • Volunteer Activities • Community Investment Schemes • Charity Donations
Business Partners	<ul style="list-style-type: none"> • Meetings/Daily Communications • Assessments • Work Inspections and Supervision
Professional Bodies	<ul style="list-style-type: none"> • Meetings • Regular Visits • Task Forces

Communication Channels with Stakeholders

Media	<ul style="list-style-type: none">• Media Briefings• Press Releases• Results Announcements• Media Interviews• WeChat Official Account
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The Company held the Annual General Meeting in an online and offline hybrid manner in June 2023. Shareholders may elect to attend, vote at, and ask questions at an annual general meeting through an online platform.

Materiality Assessment

In order to fully identify and prioritise sustainability issues, the Task Force invited stakeholders to participate in the materiality assessment based on the established stakeholder communication mechanism, so as to ensure that the Report could specifically address the key issues of concern to the stakeholders regarding the Group. Details on the materiality assessment procedure are set out as follows:

Step 1: Identifying key stakeholders and updating the sustainability issue pool

In formulating the list of key stakeholders to participate in this materiality assessment, the Task Force considered several factors such as “the degree of impact on the enterprise” and “the degree of impact caused by the enterprise” of each stakeholder and the feasibility. At the same time, with reference to the compliance requirement under the Guide, the sustainability issue pool of the previous year, and the benchmark analysis on peer enterprises, the Task Force selected 37 sustainability issues related to the Group to update the sustainability issue pool of the Group.

Step 2: Inviting key stakeholders to participate in the assessment

The Group invited the key internal and external stakeholders identified in Step 1 to participate in this materiality assessment through online questionnaire survey. The stakeholders who participated in the assessment included directors, the management, the Task Force, employees, clients, investment sector, business partners, media, community/non-governmental organisations, professional societies, and financial sector peers. The internal and external stakeholders ranked the sustainability issues across the economic, environmental and social areas in order of materiality from the perspectives of the Group and their own standing respectively.

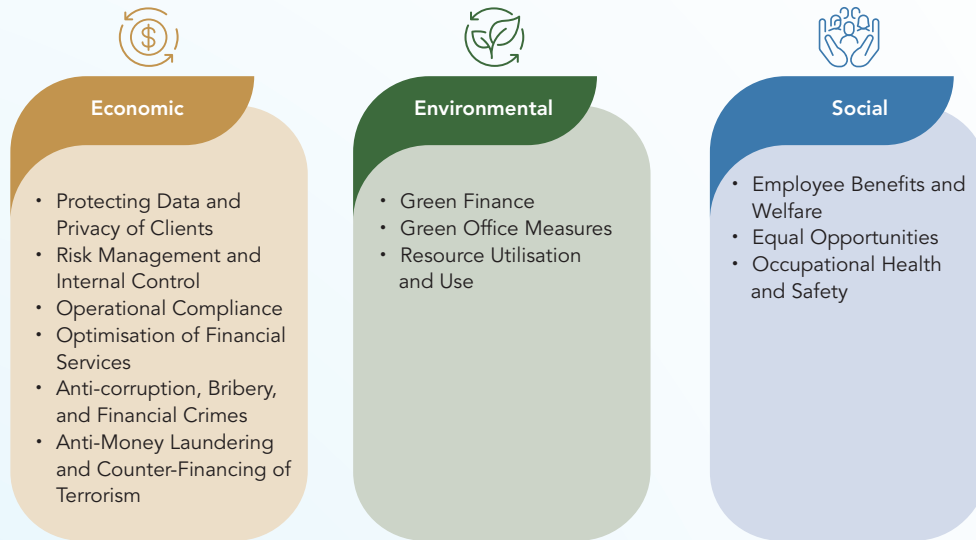
Step 3: Identifying material issues

The Group examined the materiality of the sustainability issues in each aspect by considering two dimensions of “importance to the stakeholders” and “importance to BOCOM International”. We assessed the relative materiality of these sustainability issues in the two dimensions by consolidating the ranking made by all internal and external stakeholders (a maximum score of 10 for each dimension). The sustainability issues that were ranked at half or above the maximum score of relative materiality in the two dimensions were considered “material issues” (a score of 5 or above for both of the dimensions). We identified 13 material issues across three areas: economic, environmental and social.

Step 4: Inviting the Board to determine material issues

The Task Force invited the Board to confirm the evaluation results of material issues to ensure compliance with the Group’s sustainable development strategies. The details regarding the material issues will be disclosed in the subsequent chapters of the Report to respond to the stakeholders’ concerns.

“MATERIAL ISSUES”



* The above issues are ranked in order of materiality (from top to bottom) according to the stakeholders’ survey results.

STEADY AND COMPLIANT OPERATION TO PURSUE EXCELLENCE

As one of the earliest licensed securities firms with PRC background in Hong Kong, the Group has been establishing a comprehensive financial service platform. After withstanding several economic and industry cycles and regulatory reforms, we have grown into one of the largest securities firms specialising in securities brokerage and margin financing, corporate finance and underwriting, investment and loans, asset management, and advisory businesses in Hong Kong. The Group continues to adhere to the long-term goal of business transformation, optimising the corporate governance structure, perfecting internal control mechanisms, and strengthening business capability construction. Diversified development is being promoted in corporate finance and global capital market businesses. Bond underwriting business is expanding project expansion and customer base construction. Securities business is further optimising customer structure through enhanced group linkage. The asset management business continues to build integrated core competencies in investment research. Through the science and technology innovation fund, comprehensive financial services are continuously provided for high-quality innovative enterprises in key industries such as the digital economy and dual-carbon economy, in order to provide financial support for the development of the real economy.

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Cybersecurity and Client Privacy

The Group is dedicated to protecting privacy of clients, strengthening privacy protection measures, and rendering them with quality financial services. We have formulated the Technical Specifications for Information System Security and the Management Measures for Information System Data Security to set strict standards for data security, collection, storage, transmission, use, exchange, and destruction, in a bid to improve the Group's data security management. Besides, we conduct information security management assessments on a regular basis. During the Reporting Period, we deployed the DLP system, which could scan and monitor our computers through such measures as terminal control, surveillance and control of the externally provided sensitive information, the enhanced management of how portable electronic devices were used, and the use of screen watermarks and print watermarks.

During the Reporting Period, we participated in the "Cybersecurity Action" campaign under the guidance of the Ministry of Public Security of the PRC, to act on the important cybersecurity arrangement made by the State. Our professional services successfully passed the attack test organised as part of the campaign and continuously boosted our cybersecurity protection capabilities.

The Group has formulated the Information Security Policy, which provides clear guidelines on identifying and responding to cybersecurity risks as per three major information security principles of confidentiality, completeness, and accessibility to meet the requirements set out in the SFC's Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading. We have established appropriate network segregation measures and standard procedures, including segregated areas with multiple firewalls and secure network infrastructures, and require that all system account openings and permissions are approved on a "need-to-know, least-authorized" basis to ensure that only persons with actual needs and upon approval can access or use the system.

In addition, the Information Technology Department continuously conducts cybersecurity awareness training sessions and tests among all employees, so as to ensure that they can grasp necessary knowledge on cybersecurity, safeguard our business interests and the personal data of clients, and improve the information security risk control regime constantly.

We strive to fully safeguard clients' legitimate rights and interests when collecting and using their personal information. During the Reporting Period, the Group strictly complied with the Personal Data (Privacy) Ordinance and informed the clients about the purpose for personal information collection, scope of use permitted, and scope of disclosure of clients' personal information, so as to ensure that the clients are aware of and agree on the scope for using their personal information. Meanwhile, we also encrypt data while collecting and transferring it to ensure data security. We believe that the protection of trade secrets and the privacy of clients is of paramount importance. The Information Security Policy also states that confidential and sensitive data (information obtained from clients, corporate members, organisations, or business partners) must be:

- used only for the specified purpose for which it was collected;
- kept for the period specified under the laws and regulations or the period in respect of the main purpose;
- kept confidential and must not be divulged without authorisation.

A strict confidentiality system has been established by the Group. The measures we have taken to protect clients' personal data include: establishment of access rights controls and data storage and access monitoring mechanisms, establishment of the Chinese wall policies for separate management of confidential client information by each department, and prohibition on copying any client information to personal devices or using personal computers to process client information by employees, in an effort to strictly prevent the risk of client data divulgence. Upon occurrence of confidential data divulgence, we will promptly develop and implement remedial measures in response to the existing circumstances, and make every effort to safeguard the rights and interests of the clients concerned. We regularly conduct independent reviews of information systems and security controls to ensure the reasonableness and effectiveness of the current control measures. We continue to improve our data privacy and security practices. During the Reporting Period, we updated the Working Measures for the Research Department of BOCOM International to emphasise that researchers must copy the head of the Research Department and the Legal and Compliance Department in on all emails sent to the investment banking and other departments about going over the Chinese wall, in order to strengthen compliance and risk management of the projects going over the wall.

Respecting Intellectual Property Rights

The Group attaches great importance to the protection of intellectual property rights and regulates the management and application of its intellectual property rights by establishing related policies and management measures. According to the chapter headed "Regulations on Software Licenses and Copyrights" in the Group's Information Security Policy, only software with genuine licenses is allowed to be installed on the Group's computers with the approval of the department head and the Information Technology Department. Moreover, all licensed software is managed by the Information Technology Department, and all employees are prohibited from unpermitted use of and installing software for individual purposes.

Meanwhile, we register and update our own trademarks and domain names in Mainland China and Hong Kong in a timely manner. Currently, we have 10 registered domain names in total. In the future, we will continue to develop policies and procedures for intellectual property rights management, promote the management of intellectual property rights effectively, and control related risks stably.

Risk Management and Internal Control Procedures

The Group attaches great importance to risk management and internal control, committed to safeguarding its assets and shareholders' interests through sound risk management and internal control measures. The Legal and Compliance Department updates the list of compliance and regulations matters in accordance with the Procedures of Management on Regulatory Updates Checkup, and tracks the dynamics of regulatory bodies on a regular basis, so as to ensure that the Group complies with the pertinent laws and regulations. As per the applicable provisions as set out in the Corporate Governance Code under Appendix C1 to the Listing Rules, the Group has a complete set of established risk management and internal control procedures, included ESG risks in operational considerations, and proactively built a sound risk management culture which could be instilled into all levels of the Group, so as to enhance corporate governance, better monitor, evaluate, and control the major risks assumed by the Group in its operation and service activities, and strike a balance between risk and reward

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in the ordinary course of business. In the future, we will continue to enhance our risk management capabilities in the hopes of securing stable growth and safeguarding the rights and interests of our shareholders and clients.

Given that climate change and ESG risks have a growing impact, the Group recognises that clients are more concerned about the actions taken by financial institutions in relation to ESG issues and their investment choices. Pursuant to the Measures for the Management of Direct Investment Risks, we have incorporated ESG risks into investment decisions, avoided investment and financing businesses from sensitive industries through the negative screening strategy, and helped clients to comprehensively assess and analyse ESG risks associated with their investment projects. By doing so, we are dedicated to providing clients with higher-quality and more comprehensive financial products and services. In the future, the Group will closely track and manage ESG risks derived from investment and financing businesses with intensified efforts, spot every ESG-related investment opportunity, and review and improve risk management and internal monitoring flows, with a view to bringing clients long-term stable growth of assets.

Anti-corruption and Anti-bribery

The Group upholds the core values of honesty, integrity, and fairness. We have formulated a number of in-house documents on anti-corruption, anti-bribery, and integrity enhancement to regulate the behaviour of related personnel of the Group and eliminate all acts of corruption, bribery, extortion, and fraud. In other words, we adopt a “zero-tolerance” attitude towards non-compliance. The Compliance Manual requires employees or licensed representatives to strictly comply with the Code of Conduct for Persons Licensed by or Registered with the SFC, the Corporate Finance Advisor Code of Conduct, the Fund Manager Code of Conduct, and the Securities and Futures Ordinance (SFO). They shall perform their duties and uphold professional integrity rigorously, refraining from any act of corruption, bribery, extortion, or fraud. In addition, the Compliance Manual clearly outlines the code of conduct for the prevention of bribery as well as the approval procedures and control measures in relation to the giving and receiving of gifts, and prohibits employees from engaging in any form of corruption or bribery, such as giving or receiving cash and expensive gifts. The Group is also required to pass an internal independence assessment when engaging any third-party service provider to refer business opportunities. All forms of corruption and bribery are completely prohibited at the Group. In accordance with the Measures on Annual Compliance Review for the Prevention of Bribery Code formulated by the Group, the Legal and Compliance Department conducts an anti-bribery compliance review on all departments every year to ensure that they can comply with the gift offering and receiving procedures of the Group for the purpose of reducing compliance risk. The relevant compliance review results are reported to the Chief Executive Officer (CEO) and relevant company leaders.

We undertake to maintain the highest standards of openness, uprightness, and accountability, create an open and transparent communication environment, and put in place reporting channels and confidentiality procedures. We encourage our employees and third parties that have business relationships with us to report orally or in writing any misconduct in relation to the Group’s business through the reporting and confidentiality procedures as set out in the Whistleblowing Policy. The competent department of the Group shall issue oral or written confirmation in relation to any report made by an employee as soon as practicable and in any event within seven working days, and shall keep records for follow-up or tracing of relevant reports. Any third party may report any existing or

potential misconduct, fraud, or violation to the Legal and Compliance Department of the Group upon detection, which will be referred to the Internal Audit Department for supervision. Investigation results may be reported to the highest management and regulatory authorities depending on the severity of the reported behaviour. The facts and details of a reported incident will be kept strictly confidential, and the Group will make every effort not to disclose the identity of the whistleblower.

To raise the awareness of integrity among employees, we have been actively organising various types of integrity education and anti-corruption training programmes for staff and departments at all levels of the Group to create an atmosphere of integrity and honesty in the workplace. During the Reporting Period, we conducted a total of 6 business ethics and anti-corruption training sessions, including induction training and annual training. An external law firm was invited to provide directors with annual training on the anti-bribery and anti-corruption laws and trends in Hong Kong. At the Group, 73.9% of directors and 92.4% of employees took part in anti-corruption training sessions, and the training hours completed by directors and employees totalled 45 hours and 1,024.5 hours, respectively. During the Reporting Period, the Group strictly complied with the Prevention of Bribery Ordinance and did not receive any lawsuits regarding corruption.

Anti-Money Laundering and Counter-Financing of Terrorism

The Group undertakes to eliminate any money laundering and financing of terrorism activities and fulfil anti-money laundering (AML) duties as a responsible financial institution. We strictly comply with the SFC's Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (the "Guideline") and updated the Measures for Anti-Money Laundering and Counter-Financing of Terrorism, an internal document, during the Reporting Period, to help employees raise awareness of AML and counter-financing of terrorism (CFT) among and maintain a high level of vigilance and emphasise that AML and CFT is a common responsibility shared by all employees. We require employees of the Group to fully understand their responsibilities under the laws of Hong Kong, including but not limited to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO), the Drug Trafficking (Recovery of Proceeds) Ordinance, the Organised and Serious Crimes Ordinance, the United Nations (Anti-Terrorism Measures) Ordinance, the United Nations Sanctions Ordinance, and the Weapons of Mass Destruction (Control of Provision of Services) Ordinance. Employees are encouraged to report any suspected crimes in accordance with the aforesaid laws. While cooperating with employees in AML and CFT, we erect the line of defence to reduce operational risk. In strict accordance with the Procedures of Management on Regulatory Updates Checkup, we have closely followed up on the latest requirements of relevant laws and regulations and improved the Measures for Anti-Money Laundering and Counter-Financing of Terrorism in due time to ensure the timeliness and effectiveness of the document, and ensured all employees could thoroughly understand the internal compliance requirements of the Group and know the law and abide by it.

The Group has established a sound management system to deter money laundering and financing of terrorism activities and to ensure that the risk of money laundering and financing of terrorism can be adequately managed. In accordance with the Guideline, we have designated a compliance officer and a money laundering reporting officer, who are the head of the Legal and Compliance Department and the head of the Anti-Money Laundering Compliance Team, respectively. They are mainly responsible for making sure the current management policies of the Group can comply with the existing laws and regulations and supervising all activities to prevent and detect money laundering and terrorist financing within the Group and the effectiveness of relevant management policies. Employees are required to

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submit an internal report to the Money Laundering Reporting Officer within three working days if they become aware of any transaction, and the follow-up handling process shall be documented. The Money Laundering Reporting Officer shall, as far as is reasonable, make a further report to the Financial Intelligence Team, which will be referred to the Legal and Compliance Department for appropriate action. For the purpose of curbing money laundering, the Group required the Legal and Compliance Department to conduct quarterly AML audits to reduce operational risk in accordance with the Measures on Quarterly Compliance Audit for Anti-Money Laundering during the Reporting Period.

We regularly provide employees with compulsory AML trainings, with the aim of ensuring they grasp knowledge and capabilities required by AML and CFT activities and establishing an effective internal monitoring system to carry out related management. During the Reporting Period, the Group organised AML training sessions, the content of which was tailor-made according to the nature of work done by employees, consisting of prevailing legal and regulatory requirements, market trends, in-house policies, and case sharing, with a view to consolidating employees' AML and CFT knowledge.

Promotion of Fintech and Optimisation of Financial Services

Spearheaded by the “client-first” and “technology-led” business philosophy, the Group strives to develop into a comprehensive financial services institution with global influence and market leadership in the region. We are committed to building long-term relationships with clients, offering a full package of quality services and products, and bringing into play our core advantages in an effort to meet various investment and financing needs. With the deep integration of artificial intelligence, big data, and other information technologies with financial services, we keep advancing digital transition steadily, promote product innovation, and devote considerable resources to iteratively updating our digital and intelligent services, including online global trading platform, data management, cybersecurity and market monitoring system, so as to meet the diversified needs of clients and achieve efficient client management and precision marketing.

Against the backdrop of digital transformation and in response to the goal of “improving digital services” set out in the Outline for the 14th Five-Year Plan of China, we have actively seized every market opportunity to continuously optimise our digital products, such as BOCOMI Securities Trade Express app and BOCOMI Service app, thus enhancing our online services and creating a diversified digital platform that could deliver a better intelligent service experience to clients. During the Reporting Period, we cooperated with a series of financial reforms initiated by the SFC as per the latest regulatory requirements. As a result, we have updated the system, supporting the Hong Kong Investor Identification Regime (HKIDR)², the Over-The-Counter Securities Regime (OTCR), and the Fast Interface for New Issuance (FINI)³. Besides, we also introduced new functions, such as systemising the rights issue process in the BOCOMI Securities Trade Express app, through which clients could apply for rights issues in the system instead of sending paper replies. At the same time, we reviewed the applications received through the system as a move to facilitate the paperless application process.

² https://www.hkex.com.hk/Services/Trading/Securities/Overview/Trading-Mechanism/HKIDR?sc_lang=zh-HK

³ https://www.hkex.com.hk/Services/Platform-Services/FINI?sc_lang=zh-HK

Responsible Marketing and Advertising

The Group is very concerned about the quality of its business. Therefore, we operate with honesty at all times to take external communications and advertising materials seriously and ensure that all information provided externally is clear, transparent, true, fair, accurate, and correct. The Group strictly abides by the applicable laws and regulations such as the SFO, and prohibits illegal advertising and promotion for any product that is not authorised by the SFC. The Compliance Manual of the Group sets out the code of conduct in relation to marketing products and services and the practical guidelines for promotional materials and engaging in advertising and promotion activities. If advertising and promotion activities involve new media platforms, relevant content shall be balanced without false, groundless, misleading, or fraudulent information or discriminatory or indecent language. We should also ensure that advertising and promotion materials include applicable legal and regulatory disclosure statement(s) or appropriate warning statement(s). In addition, the engagement of employees with media outlets in the form of speech, interview, meeting, or commentary on behalf of the Group must be coordinated by relevant departments of the Group together.

Client Satisfaction

BOCOM International attaches great importance to the communication with clients. We listen carefully to clients' views and suggestions, constantly improve our service experience for a higher level of satisfaction, and offer high-quality services. To this end, we have streamlined our client complaints handling process, providing clients with various channels for enquiries and complaints. Currently, clients may contact our service centre by various means including phone calls, facsimiles, and emails, which will ensure that their complaints, oral or written, can be dealt with in a timely and appropriate manner. The head of a department who is informed of a complaint by an employee will investigate the relevant matters accordingly. The Legal and Compliance Department will independently review and investigate the specific complaint and give replies to the client concerned in a timely manner. During the complaints handling process, related information shall be kept confidential and disclosed to the authorised persons on a "need-to-know, least-authorised" basis. The Compliance Manual clearly states that all complaints shall be reported to the Legal and Compliance Department and the head of a department complained against and that a complaint involving regulatory issues shall be reported to the relevant management. In addition, the Compliance Manual also stipulates that if the matter complained about fails to be remedied in a timely manner, the employee concerned shall inform the complainant of the right to transfer the complaint to the Financial Dispute Resolution Centre or refer the relevant dispute to a mediation centre.

During the Reporting Period, we received two complaints from clients concerning the quality of our services, both of which were followed up and handled through the procedures set out in the Compliance Manual. The clients concerned didn't provide any further comments on our handling results. So far, the two individual complaints have been resolved and closed. Therefore, we achieved a 100% complaint resolution rate during the Reporting Period.

Corporate Social Responsibility Report

Green Finance and Commitment to Developing Green Industries

In order to enhance the sustainability and competitiveness of our business mode, we develop green finance through responsible investment, green finance investment, issuance of green bonds, and establishment of green funds by making good use of its business characteristics, with a view to capitalising on market demands and trends and spotting more opportunities in the field of green finance.

Responsible Investment

The Group actively implements the concept of responsible investment, integrates it into various businesses, and builds a governance framework for responsible investment. The Group sets up the Investment Committee as the body to review and approve investments concerning its proprietary business. The Investment Committee exercises the approving and decision-making power within the scope authorised by the Board to the CEO in accordance with the BOCOM International Investment Committee Working System.

Adopting a negative screening strategy, we give priority to green and eco-friendly projects and combine green investment with sustainable development needs, so as to facilitate the development of green industries and advance the mission of sustainable development.

To manage the direct investment business efficiently, the Group formulated the Measures for the Management of Direct Investment Business of BOCOM International to carry out negative list screening in the due diligence process for client onboarding, and explicitly prohibit making investments in industries that go against the national policies or regulatory requirements, and those that are expressly prohibited by the State. In the project review process, the Group identified the ESG aspects of a target company, including assessing whether the business mode of the target company is in line with the national policies for green development, low-carbon recycling economy, etc., and whether the target company belongs to any of the energy-intensive industries, high-emission industries, and industries with overcapacity. For the secondary market investment business, the Group formulated the Measures for the Management of Securities Investment Business, clearly stating that “in order to fulfil the social responsibility of listed companies, it is recommended that relevant investments prioritise eco-friendly industries and avoid industries such as arms, gaming, and tobacco in principle, on the premise of the same risks and returns”.

In addition, the Credit and Risk Policy Implementation Rules formulated by the Group explicitly requires increasing support for green and low-carbon industries with respect to the bond and fund business and the loan and structured finance business.

Communication and Research on Responsible Investment

BOCOM International actively underpins scientific and technological innovation, by providing equity capital support to high-tech enterprises in the form of direct equity investment or participation in venture capital funds, government-backed industrial investment funds, and other themed funds. Leveraging the BOCOM Group’s superior product and service lineups, such as “commercial banking and investment banking”, “domestic and overseas operations”, “financing and intelligent counselling”, and “equity, debt, and credit integration”, we channel financial resources into the fields of original and leading

“hard” technology. During the Reporting Period, BOCOM International won an array of awards, including the “Venture Capital Golden Eagle Award: PE Institution of the Year” from Securities Times, “Best Investment Case” from CVINFO, “Top 30 Private Equity Institutions in the Guangdong-Hong Kong-Macao Greater Bay Area” from CVINFO, and “Top 100 Active Investment Institutions (LPs) with Soft Power in 2023” from *FOF Weekly*. For details, please refer to the chapter headed “Awards” in the Annual Report of the Group.

To this end, we have increased our input in the research on emerging industries. In addition to such themes as biomedicine and artificial intelligence, we have also conducted in depth research on energy conservation and environmental protection, new energy, and new materials, among other topics, with a number of insightful analysis reports published during the Reporting Period.

Green Finance Investment and Green Bonds

During the Reporting Period, the Group implemented the concept of green finance as per the Credit and Risk Policy Implementation Rules, continued to support green development centred on the green and low carbon industry. During the Reporting Period, we secured two new equity investment projects related to the green finance industry

We have steadily expanded our green bond underwriting business in response to the growing attention paid by the international capital market to green finance and have actively covered the needs of Chinese enterprises arising from their green and low-carbon transition. During the Reporting Period, we assisted issuers in issuing 18 green bonds and one blue bond, and raised USD5.93 billion in total, which was about 2.2 times the amount of green bond financing in the previous year, in an effort to guide and attract more private capital to invest in green industries, thus fully demonstrating our determination to support the development of green economy.

To practise the concept of green investment, we cooperated with China Energy Capital to set up a green fund in Wuxi. At the same time, taking the green fund as an opportunity, we recommended other green funds managed by China Energy Capital to our branches. During the Reporting Period, the new green-related bonds under the custodianship of our Wuxi branch exceeded RMB3.5 billion.

Grasping the high-quality investment opportunities presented by the dual carbon goal, the Group will empower and serve the transformation and upgrading of the energy mix and the innovative development of green technologies with equity investment, continuously improve the “innovation and green development” dual-themed private equity fund management regime to put fundraising, investment, and operation activities on a solid footing, strengthen the group-wide coordination mechanism through which comprehensive financial services can be provided to fuel the development of the invested enterprises and create greater value for all fund investors.

Ceremony for the signing of the Wuxi BOCOM International-CHN Energy Green Fund project



Protecting Shareholders' Interests and Maintaining Investor Relations

The Group is committed to creating long-term value for and enhancing returns to shareholders and investors. The Board and the management of the Group have always attached great importance to maintaining communications and exchanges with shareholders, investors, and the capital market through the high-quality information disclosure to stakeholders. To honour our commitment to generating greater value for shareholders, we provide real-time and fair information to shareholders and investors through a diversity of communication channels set out in the Shareholder Communication Policy such as shareholder enquiries, corporate communications, company website, WeChat official account of the Group, online and offline general meetings of shareholders, and investment market communications, so as to ensure that shareholders and investors know well about the Group, in terms of financial performance, strategic objectives and plans, and major developments, among other aspects.

We encourage shareholders to learn more about the Group's development plans and corporate governance activities, get actively involved in various matters of the Group, and exercise their rights. Committed to safeguarding the rights and interests of investors, we fully fulfil our responsibilities and obligations in information disclosure as a listed company, and provide investors with high-quality information disclosure and communication channels. In addition to corporate governance, we also attach great importance to the level of ESG disclosure. On the basis of meeting the legal and regulatory

requirements, we work to get aligned with international disclosure standards. While ensuring ESG disclosure compliance, we continue to support and promote the development of ESG-related fields, a prerequisite for attaining high-quality and sustainable development.

In the future, we will ensure integrity at work in strict accordance with the relevant laws and regulations, continuously strengthen and promote good communication with shareholders, investors, and the capital market, and further review the Shareholder Communication Policy and its effectiveness to enhance our good reputation in the capital market.

During the Reporting Period, in addition to the HKExnews website and the official website of the Group, we also kept sharing macro-market dynamics and industry analysis reports on social media platforms such as our WeChat Official Account, leveraged on our expertise as a professional financial institution, and provided the latest information on the Group's business development.

BOCOM International won the "Best ESG Disclosure Award"
from ZhiTong Financial Information Technology Co., Ltd.



Corporate Social Responsibility Report

Sustainable Supply Chain Management

The Group is committed to extending the concept of sustainability from its own operations to the entire supply chain, as it believes that sustainable supplier management is the cornerstone of maintaining its service quality.

During the Reporting Period, the Group carried out sustainable supply chain management as per the Regulations on the Purchase and Management of Fixed Asset, was intended to introduce written policies, the Supplier Management Measures this year, which would establish fair and transparent codes for the selection and management of suppliers, and has established a complete management mechanism to control risks throughout the whole process of supplier selection, onboarding, evaluation, management, and performance appraisal. All of these steps aimed to minimise environmental and social risks in the supply chain. The Regulations on the Purchase and Management of Fixed Asset stipulates that procurement should be made based on the principles of legal and regulatory compliance, openness and transparency, and competitive effectiveness, priority should be given to energy-saving and eco-friendly products under the same conditions, and the Group shall avoid hiring suppliers with a poor environmental and social performance or ill-reputed. Moreover, we also assess and screen the suppliers selected by us every year to ensure the supplier service continuity. In addition to taking into account the quality and cost of services and products as well as efficiency and compliance of suppliers, we also gradually take environmental factors into consideration, and evaluate their performance in environmental and social responsibilities by understanding the source, composition, and environmental impact of our suppliers' materials. Suppliers are encouraged to provide eco-friendly, secure products and services. Moreover, the Administration Department is leading the sampling inspection of suppliers, such as observing whether a supplier meets occupational health standards in the delivery of services, in a bid to ensure that suppliers operate compliantly and meet our social and environmental requirements. During the Reporting Period, we engaged 50 suppliers from Hong Kong, all of whom were selected in strict accordance with our standards⁴, and no significant environmental and social risks or negative impacts were identified from them.

At the same time, we implement the concept of green procurement in day-to-day operations to make our offices green. In the process of purchasing daily office supplies, we prioritise buying items that are made of renewable materials and environmentally certified, instead of disposable ones, such as Forest Stewardship Council (FSC)-certified paper bags, eco-friendly photocopiers, sustainability-certified paper, reusable tableware, electrical appliances with energy efficiency labels and energy-saving lamps, and smart automatic water dispensers using eco-friendly refrigerant R-134A. While encouraging suppliers to provide high-quality eco-friendly office supplies as a move to further reduce the Group's impact on the environment, we move towards the goal of sustainable development together with our suppliers.

⁴ The number of suppliers stated above covers suppliers for printing paper, renovation projects, furniture, electrical appliances, anti-epidemic supplies, cleaning and hygiene services, as well as providers for transportation and freight services and gardening services.

TAKING CARE OF EMPLOYEES AND NURTURING TALENTS

The Group upholds the “people-oriented” business philosophy and believes that employees are the bedrock of its sustainable development. Therefore, we attach great importance to talent management and endeavour to create a corporate culture that emphasises physical and mental well-being of employees as well as a workplace that is suitable for employees to use their respective strengths. We recruit, turn out, and retain talented people through various channels to build a competitive team of elites. While maintaining steady business development, we do everything possible to help employees grow together with us.

During the Reporting Period, the Group strictly complied with relevant laws and regulations in Hong Kong and Mainland China, including but not limited to the Employment Ordinance, the Employees’ Compensation Ordinance, the Minimum Wage Ordinance, the Mandatory Provident Fund Schemes Ordinance, the PRC Labour Law, and the PRC Labour Contract Law. The Human Resources Department of the Group developed the Human Resources Management Policy, which regulates matters including recruitment and dismissal, promotion and training, compensation and benefits, as well as working hours and holiday arrangements, to fully protect the legitimate rights and interests of employees and effectively carry out human resources management across the Group.

Employee Benefits and Welfare

The Group firmly believes that a competitive employee benefits and welfare programme is the key to attracting and retaining talents. In accordance with the existing Human Resources Management System, department heads can implement flexible working hours for individual staff based on the special factors including nature of work, scheduling, and staffing in different positions. During the Reporting Period, we strictly complied with the statutory rest day requirements of the place of operation, and did not encourage and never forced employees to work overtime. In the event of special circumstances, employees were allowed to take compensatory leave.

We constantly review the latest employment regulations and market conditions, and update and improve relevant policies in a timely manner to maintain the competitiveness of the Group and retain elite talents as required by the high-quality development of the Group. Apart from statutory holidays and benefits including public holidays, annual leave, statutory paid sick leave, maternity leave and paternity leave, and Mandatory Provident Fund scheme, we have also introduced other welfare programmes to enhance employee benefits, including birthday leave, wedding leave, funeral leave, and other additional paid leave. In addition to the employment injury and medical insurance purchased for all employees in accordance with the Employees’ Compensation Ordinance, we also provide a full range of medical benefits through purchasing group medical insurance for employees’ immediate family members. Moreover, we have also formulated the Regulations on Reimbursement to specify the guidelines and limits for the reimbursement of work-related expenses, such as local transport expenses, overtime meal expenses, and travelling expenses.

The Group attaches great importance to the physical and mental health of employees. We carry out a variety of employee engagement activities, encourage staff to develop after-work hobbies, and work with them to create a diversified workplace and maintain a work-life balance.

Corporate Social Responsibility Report

The Recreation Committee of the Group is assigned to organise group activities and welfare initiatives for staff, and promote exchanges among employees from different departments, thus enhancing team cohesion and fostering their sense of belonging to the Group. In order to enrich staff's lives after work, during the Reporting Period, we organised a number of ball games and competitions such as table tennis, badminton, and bowling. During the Reporting Period, we invited employees to form basketball teams to participate in the Hong Kong Investment Bank Cup Basketball Tournament organised by the Chinese Securities Association of Hong Kong.

The BOCOM International employee basketball team participated in the Hong Kong Investment Banking Cup Basketball Tournament organised by the Chinese Securities Association of Hong Kong



Employee Health and Safety

The Group cares for the safety and physical and mental well-being of employees. As such, we strive to build a healthy, safe, amicable work environment. During the Reporting Period, we strictly complied with the Occupational Safety and Health Ordinance in Hong Kong and the Law on the Prevention and Control of Occupational Diseases of the PRC in Mainland China. We also stipulated in the Human Resources Management System that, labour insurance, group life insurance, personal accident insurance, and business travel insurance are to be purchased for our employees to ensure their occupational health and safety to the largest possible extent. Meanwhile, we also provided a number of health-themed online training sessions during the Reporting Period to enhance awareness of occupational health among employees. We offer different types of annual medical examination reimbursement plans according to actual needs of employees and equip them with ergonomic office facilities. In addition,

we also conduct periodic inspections on fire safety devices at the office premises, with an aim to reduce the risks of occupational hazards and fire accidents to our employees while they are at work. We also periodically disinfect and disinfect our offices to maintain a clean, sanitary work environment.

We keep following up with policies related to occupational health and safety, and our Human Resources Department monitors and updates the Group's management policies in due course. The Group has established appropriate work arrangements and contingency measures against extreme weather events such as typhoons and rainstorms to ensure the safety of its employees at the workplace and during their commute time. During the Reporting Period, for the safety of our staff, we conducted annual inspections for fire protection installations and posted the fire safety guidelines on each floor to ensure employees could be clearly aware of the measures to deal with fire as well as the escape routes. Meanwhile, we also participated in the fire drills organised by the property management company in accordance with the BOCOM International Guidelines for Fire, Disaster, and Accident Prevention. During the Reporting Period, there was one work-related injury across the Group, and the total number of days of work lost on our staff due to the incident was 13 days. There were no cases of work-related fatalities in the Group over the past three years.

During the Reporting Period, we continued to provide sanitisers and anti-epidemic supplies in the office. We also arranged disinfection processes for viruses including COVID-19, to ensure the cleanliness of the workplace and protect the health of our staff. If employees were infected with an infectious disease, we provided medication to them and allowed department heads to make flexible work arrangements on the premise of ensuring the normal operation of the Group.

Employee Diversity and Equal Opportunities

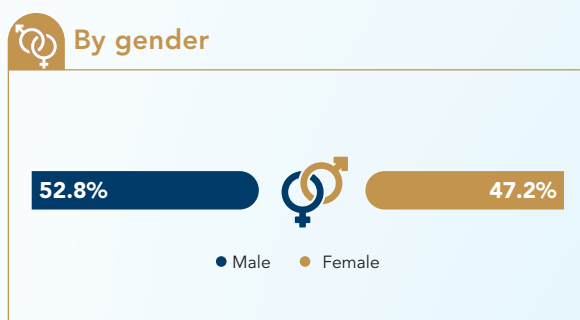
To promote mutual respect with its staff, the Group is committed to enhancing equal opportunities, eliminating all forms of discrimination, and creating an equal, open, and diverse working environment to ensure fair and open recruitment, promotion opportunities, and benefits of employees. During the Reporting Period, we strictly complied with the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance, and the Race Discrimination Ordinance in Hong Kong. We strove to ensure inclusive and equal job opportunities for all employees regardless of gender, health, family status, and race. During staff recruitment, we adopt uniform selection criteria and consider candidates given relevant factors such as qualifications, work experience and skills, and job requirements. In the meantime, we have a sound performance appraisal and promotion mechanism, which emphasises on-the-job performance, skills, and future job requirements under the principle of "fairness and objectivity". Factors such as gender, family status, marital status, pregnancy, or disability shall not be involved in the process of promotion, so as to protect employees' rights to equal opportunities.

Employee Training and Development

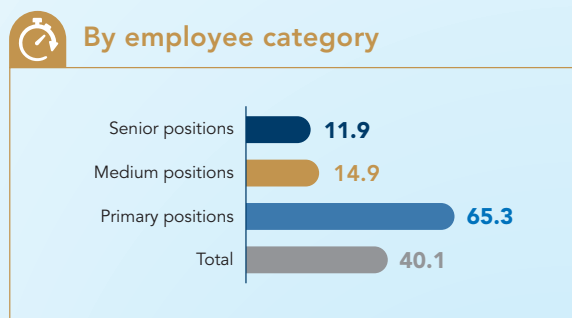
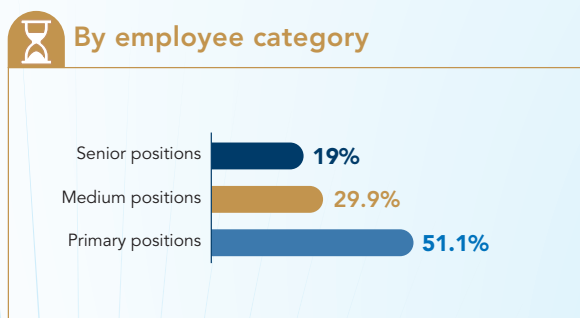
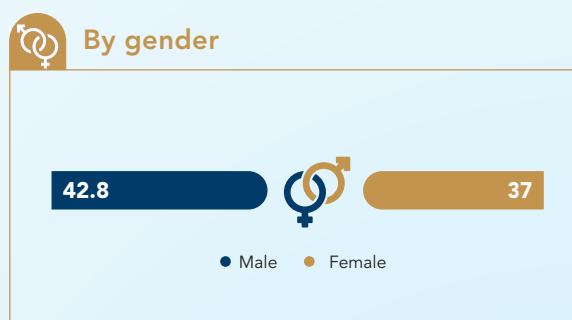
The Group attaches great importance to employee development. Guided by the concept of “growing together with employees”, we provide them with skills development and training opportunities to enhance their professional competence while maintaining our competitiveness as an employer. We actively organise various education and training courses for employees and set out our specific provisions regarding training coordination and employee training subsidies in the Human Resources Management System so as to improve the overall comprehensiveness of our employees. Every year, we organise a series of training programmes and invite external professional training institutions to launch various types of activities such as training courses, industry sharing sessions, subject talks, symposiums, and team building activities, in a bid to assist employees in acquiring professional knowledge and skills that could meet the needs of the job, support the Group’s business development and strategic planning, and cope with the changing economic and business environment. In addition, we are very supportive to staff members who take refresher courses and seek career development. Therefore, a further studies subsidy scheme has been launched to sponsor our staff members who enrol in professional courses and examinations, so as to encourage them to improve their qualifications according to their individual career plans.

The percentage of employees trained⁵ and the average training hours completed⁶ by gender and employee category are as follows:

Percentage of employees trained



Average training hours completed per employee⁷



⁵ The percentage of employees trained is calculated as: the number of employees trained in the category/the total number of employees trained*100%.

⁶ The average training hours completed are calculated as: the total training hours completed by employee in the category/ the total number of employees in the category.

⁷ The employee training statistics listed above do not include the data of employees who left the Company during the Reporting Period.

During the Reporting Period, to further consolidate employees' professional knowledge, the Research Department held eight special training seminars on topics about the investment trends and sustainable development in different industries, including pharmaceuticals, real estate, new energy vehicles, Internet, and technology. We assist employees in gaining an in-depth understanding of the latest industry information and market opportunities and risks and in having an accurate picture of future industry development, which helps improve the investment decision-making capabilities of our employees. During the Reporting Period, we organised a cybersecurity awareness training course in the form of online video, and required all employees, especially new hires, to attend the training every year, with a view to increasing their cybersecurity awareness. The Legal and Compliance Department organised 28 training sessions on topics such as AML, anti-bribery, anti-corruption, and the latest regulatory requirements. The content related to professional ethics and integrity education was added to the induction training programme for new employees, with an aim to eliminate the risk of non-compliance. Additionally, we organised several induction training sessions to further new employees' understanding of the Group's corporate culture, regulatory requirements, and in-house management policies and help them adapt to the new working environment more promptly.

Employment Management

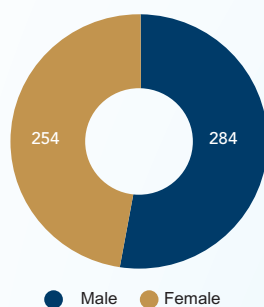
In the process of hiring new employees, we conduct a comprehensive review of prospective employees, such as checking the personal information of such an employee and confirming that the employee reaches the legal working age in order to completely eliminate child labour. We provide prospective employees with an annex named "Personal Information Collection Statement" to safeguard the privacy of prospective employees and clearly state the purpose of the annex. In addition, if any false information or discrepancies are found, we will ask the prospective employee concerned to provide a reasonable explanation. If there is no reasonable explanation, we will revoke or cancel the employment contract in accordance with the "reasons for termination of employment contract" provided for in the Employment Ordinance. Meanwhile, we enter into employment contracts with employees based on the principle of equality, and clearly specify duties, working hours, rest days, and holidays in the Human Resources Management System. Moreover, any forms of forced labour are prohibited.

Corporate Social Responsibility Report

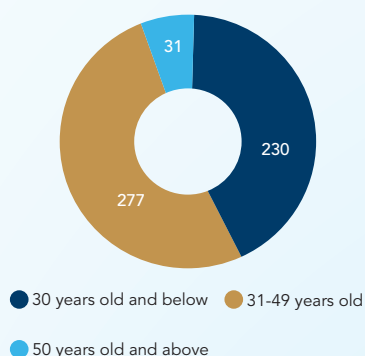
The above policy contains provisions on standardised resignation and procedures, with which we and employees shall follow the procedures to protect the rights and interests of both parties. The notice period for resignation is stipulated in the employment contract, and in case either party fails to give prior notice as required, the other party shall be indemnified with payment in lieu of such notice. Employees are also required to sign the "Final Salary Confirmation" before leaving the Group, so as to ensure that they are aware of the amount of separation payment and receive a reasonable amount of separation payment. The Human Resources Department of the Group will also provide a certificate of employment to the departing regular employees.

As at the end of the Reporting Period, the Group had a total of 538 employees who were all full-time employees. The workforce⁸ and turnover rate⁹ by gender, age group, and geographical region are as follows:

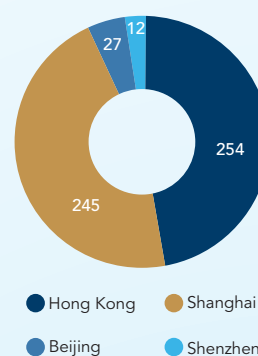
Number of employees by gender



Number of employees by age group



Number of employees by geographical region



⁸ All statistics in relation to the workforce of the Group are as of 31 December 2023.

⁹ The employee turnover rate is calculated as: the number of employees who left/the total number of employees in the category*100%.

Employee turnover rate	
Employee classification	2023
By gender	
Male	15%
Female	15%
By age group	
30 years old and below	19%
31 to 49 years old	14%
50 years old and above	6%
By geographical region	
Hong Kong	17%
Shanghai	14%
Beijing	15%
Shenzhen	17%

CARE FOR THE ENVIRONMENT AND INTEGRATING THE CONCEPT OF SUSTAINABLE DEVELOPMENT INTO THE OPERATION PROCESS

The Group actively undertakes corporate responsibilities, upholds the concept of sustainable development, and endeavours to build a culture of green operation. In the course of daily operations, we implement various energy conservation and emission reduction measures to minimise the negative impact on the environment and natural resources, thus striking a balance between business development and environmental protection.

Green Office Measures and Environmental Protection

In terms of daily operations, we formulated in-house documents such as the Vehicle Management Rules to regulate the carbon emissions released by the use of paper, electricity, water, and vehicles as well as the waste generated in the office, to ensure that our operations could comply with regulatory requirements. In addition, we posted the Green Office Tips in our offices to promote environmental protection and energy conservation measures, and instilled the concept of a “green operation” culture in all staff members, to practise energy saving and emission reduction measures from the top down. Green plants were placed in the office to enhance air quality, a prerequisite for creating a comfortable and healthy working environment for employees. The energy and resources consumed by the Group mainly consist of the externally purchased electricity in the office, gasoline used by company cars, and water and paper used in the office. The major emissions discharged by the Group include air pollutants and greenhouse gas emissions from energy consumption, staff air travel, and paper use.

Corporate Social Responsibility Report

The Group set environmental objectives in 2021, and set up a number of indicators and action plans with regard to the discharge of air pollutants and greenhouse gas emissions, energy efficiency, and waste generation. The following are the main environmental objectives and action plans that we implemented in the daily office operations as well as their progress during the Reporting Period:

Objective category	Environmental objectives	Indicators	Action plans	Time to achieve objectives	Progress and Actions in 2023
Air pollutant and greenhouse gas emissions	Encouraging green mobility	Strengthening management of company cars	Recording the fuel consumed by company cars, regularly overhauling them, and gradually replacing them with lower/zero-emission vehicles	Short-term	The plan was in progress and the measures for the management of company cars was implemented during the Reporting Period
		Reducing carbon emissions from business travels	Cutting unnecessary business travels and reducing the number of first class and business class flights	Short-term	The plan was completed. Employees were encouraged to travel less frequently and most business trips were replaced by videoconferencing/teleconferencing via electronic devices
	Supporting carbon neutrality	Offsetting carbon emissions	Buying carbon credits to offset carbon emissions from operations	Medium-term	The plan was in progress. Tree planting activities will be planned to offset part of the emissions in the future
Waste generation	Strengthening office waste paper recycling	Increasing office waste paper recycling rate	Improving office waste recycling system, collecting data about the amount of office waste paper recycled, etc.	Short-term	The plan was in progress. Bags for destroying confidential documents were placed at prominent locations of our office in Central, Hong Kong, and a third-party company was hired to recycle waste paper at offices and count the amount of the waste paper

Corporate Social Responsibility Report

Objective category	Environmental objectives	Indicators	Action plans	Time to achieve objectives	Progress and Actions in 2023
	Recycling and reusing office equipment	Recycling office electronic equipment	Developing recycling plans and regularly checking the progress of executing the plans	Short-term	The plan was in progress. Electronic equipment was recycled by a contractor approved by the government (ALBA Integrated Waste Solutions (HK) Limited) to turn the e-waste into resources in a sustainable manner. The hazardous materials contained therein were safely disposed of, so the e-waste was converted into secondary raw materials
Energy use efficiency	Improving energy use efficiency	Cutting office energy consumption	Purchasing appliances with energy labels	Short-term	The plan was in progress. Downlights in the public areas of the Group were replaced into LED lights. When proceeding office renovation, energy-saving measures were considered. The electric lights in the renovated office areas were replaced with LED lights (except for the original lamp panels) in order to reduce energy consumption
		Conducting energy audits in offices	Formulating annual energy audit plans and working out energy saving measures	Short-term	The plan was yet to be implemented. We would promptly advance and review the plan. Besides, we would consult third-party organisations for the related work plan

Corporate Social Responsibility Report

Objective category	Environmental objectives	Indicators	Action plans	Time to achieve objectives	Progress and Actions in 2023
All environmental areas	Advocating environmental awareness	Offering training on environmental protection for employees	We added environmental training to induction training, drew up environmental training/publicity plans, and irregularly organised energy conservation-themed activities	Short-term	The plan was in progress. We included environmental protection content in induction training and shared with staff green office tips, including energy conservation, office equipment, waste avoidance and reduction, material recycling, purchase of products made of recycled materials. During the Reporting Period, we held a "Coffee Grounds Recycling Program" to enhance staff environmental awareness

Paper management

During the Reporting Period, we were committed to strengthening the recycling of office waste paper, increasing the recycling rate of waste paper, reducing waste generation, and promoting a circular economy. As such, we have actively improved the office waste recycling system. We advocate double-sided printing, place a wastebasket next to each photocopier, and provide confidential document shredding bags for employees, with an aim to reducing paper waste. These convenient measures aim to increase the amount of waste paper recycled and reduce paper waste. We have hired a professional third-party confidential document disposal service provider to recycle paper and keep statistics on the amount of waste paper recycled to monitor the completion of relevant objectives. Meanwhile, we actively move to paperless offices and electronic offices. Employees are encouraged to use electronic methods, such as e-mail and scanning, to circulate and communicate, and store documents electronically to save paper.

Electricity management

The energy and resources consumed by the Group are mainly the externally purchased electricity in the office and the gasoline used by company cars. During the Reporting Period, we reduced office energy consumption to improve energy use efficiency. To develop employees' habit of saving electricity, we circulated the Notice on Safe Use of Electricity to employees to remind them to turn off all unnecessary power sources, such as lights, photocopiers, computers, water dispensers, and coffee machines, during lunch time, after office hours, and before leaving the meeting room, aiming to avoid unnecessary waste of energy. In addition, we actively adopted electrical appliances with lower power consumption, such as those with grade 1 energy labels, in an effort to improve energy efficiency. Meanwhile, we used eco-friendly and energy-saving LED lights as our main lighting fixtures progressively. During the Reporting Period, we replaced all the lights in the public areas of the Headquarters Office in Central,

Hong Kong with LED lights, which would consume less energy and have a longer lifespan, thus reducing the amount of energy used and waste generated. In addition, when replacing electrical products was a must, we would preferably purchase products with energy efficiency labels and RoHS compliance to save electricity. During the Reporting Period, we effectively implemented energy efficiency measures to increase the use of energy-labelled electrical appliances.

Water management

During the Reporting Period, in order to avoid waste of water resources, we posted water conservation tips in the workplace to enhance water conservation awareness among employees. We provided reusable cups for visitors in the conference room and advised employees to bring their own cups, so as to reduce consumption of bottled water. Given the business nature, we are not a high water-consuming company. The water used in our offices is mainly from the municipal water supply system, and water consumption is managed by the property management company. So, there is no difficulty in sourcing water and no relevant targets have been set for the time being. During the Reporting Period, as water management measures were effectively implemented, water consumption decreased by more than 21% over the same period last year.

Reasonable Use of Vehicles

During the Reporting Period, we encouraged green mobility, implemented a low-carbon strategy, and were committed to strengthening the management of company cars and reducing carbon emissions from business travels. The Vehicle Management Measures was formulated to regulate the use of company cars through practical actions. Staff were required to record the fuel consumption of company cars, regularly inspect and repair company cars, and avoid fuel inefficiency caused by ageing of vehicle parts, with a view to ensuring that the vehicles could maintain good performance and efficient operation. We plan to switch to greener vehicles to further reduce air pollutants and greenhouse gas emissions. On the premise of not affecting the normal operation of the Group, staff are encouraged to make more use of audio and video conferencing and public transport for business visits, so as to reduce the use of company cars for client reception and meeting transfers and move further towards the aim of minimising the impact on the environment. In case of necessary business travels, we will try our best to buy economy seats in the hopes of contributing to global carbon emissions reduction. In addition, we require our employees to make more appropriate arrangements for itineraries to avoid the situation of idling engines and maximise vehicle fuel efficiency, in an effort to reduce air pollution caused by driving cars. During the Reporting Period, although we implemented measures to reduce car usage and business travels, mileage increased as business gradually returned to normal due to the easing of the COVID-19 restrictions and therefore, air pollutant and greenhouse gas emissions from car use increased accordingly.

In addition, we are also aware of the impact of other air pollutants on the local environment. During the Reporting Period, we strictly complied with the Air Pollution Control Ordinance and the Motor Vehicle Idling (Fixed Penalty) Ordinance of Hong Kong and managed our sources of air pollutant emissions in accordance with the ordinances. Our air pollutant emissions were mainly from the six company cars over which the Group has operational control in the Hong Kong office areas.

Corporate Social Responsibility Report

Hong Kong office areas — air pollutant emissions

Types of air pollutant emissions ¹⁰	Emissions in 2023	Emissions in 2022	Unit
NOx emissions	4.38	3.53	kg
SOx emissions	0.21	0.18	kg
CO emissions	39.38	31.73	kg
PM2.5 emissions	0.11	0.08	kg

Hong Kong office areas¹¹ — resource consumption

Class	Consumption in 2023	Intensity of consumption in 2023	Consumption in 2022	Intensity of consumption in 2022
Fuel consumption (gasoline) ¹²	14,365.71 L	2,394.29 L/car	12,349.48 L	2,058.25 L/car
	139,223.35 kWh	23,203.89 kWh/car	119,683.33 kWh ¹³	19,947.22 kWh/car
Electricity consumption	771,887.00 kWh	3,038.93 kWh/person	774,474.00 kWh	3,226.98 kWh/person
		165.33 kWh/m ²		165.89 kWh/m ²
Water consumption ¹⁴	573.39 tonnes	2.26 tonnes/person	714.74 tonnes	2.98 tonnes/person
Total paper consumption	4,715.17 ¹⁵ kg	18.56 ¹⁵ kg/person	1,801.25 kg	7.51 kg/person
Total energy consumption	911.11 mWh	3.59 mWh/person	894.16 mWh	3.73 mWh/person

¹⁰ The computation method and relevant emission factors of the air pollutant emissions are based on the EMEP/EEA Air Pollutant Emission Inventory Guidebook — 2016 published by the European Environment Agency.

¹¹ The Hong Kong office areas of the Group include the Headquarters Office in Central, Hong Kong, and the Tsim Sha Tsui office, with a total area of 4,668.7 square meters. They accommodate 254 employees.

¹² Fuel consumption was from six company cars over which the Group has operational control in the Hong Kong office areas during the Reporting Period.

¹³ Fuel consumption is initially measured in the unit of litre, and is converted to kWh based on the conversion factors as set out in the Energy Statistics Manual published by the International Energy Agency.

¹⁴ As water is supplied by the building, water consumption is calculated based on the data regarding the average water consumption of each floor and average daily water consumption provided by the building management office.

¹⁵ The total paper consumption and consumption density in 2023 increased significantly compared to 2022 due to the local easing of the epidemic, which resulted in the cancellation of remote work, leading to an overall increase in paper consumption.

Environmental Education and Publicity

The Group believes that it is important to raise the environmental awareness of employees in operations. We add environmental training to the induction training programme, draw up environmental publicity plans, and organise energy conservation-themed activities to encourage employees to develop eco-friendly awareness and habits. We ask employees to implement environmental protection measures in their daily work. For example, we post energy and resource conservation notices in our offices, provide reusable tableware in staff leisure areas, and encourage our employees to avoid using disposable tableware. Meanwhile, dedicated personnel are assigned to conduct regular inspections to ensure that employees comply with established environmental requirements, while developing eco-friendly habits.

Waste Management

During the Reporting Period, the Group strictly complied with the Waste Disposal Ordinance of Hong Kong to avoid spending extra money and time due to the improper disposal of waste. We also adopted effective waste management measures to dispose of the hazardous and non-hazardous waste generated from office operations in accordance with relevant regulations. Given the business nature, the hazardous waste generated in our office premises mainly includes electronic appliances, fluorescent light tubes, waste batteries, and waste toner cartridges. We recycle hazardous waste as much as possible in the hopes of making the best use of all resources. During the Reporting Period, we arranged for qualified recyclers to dispose of photocopiers, thus turning waste into resources in a sustainable manner. At the same time, we arranged for suppliers to collect the used toner cartridges on a regular basis, so as to ensure appropriate treatment of hazardous waste and avoid environmental pollution. The discarded fluorescent tubes are collected by the building management office which would transfer them to a nearby recycling point for reuse. In addition, waste sorting and recycling bins are placed in the office premises for collection of non-hazardous waste such as waste paper, aluminium cans, and plastic bottles, which will subsequently be put into the central recycling bins of the office building for collective collection. In active response to the government's policy initiatives, we push forward initiatives in the office premises for waste reduction from the source to reduce waste generated from office operations. In the future, we will communicate with the property management companies to understand their plans to comply with the municipal solid waste charging policy in Hong Kong and and it is handed over to an outsourced cleaning company for centralised management and processing.

Hong Kong office areas — waste generation

Class	The amount generated in 2023	The intensity of waste generated in 2023	The amount generated in 2022	The intensity of waste generated in 2022
Hazardous waste				
Waste fluorescent light tubes	46 tubes	0.01 tube/m ²	43 tubes	0.01 tube/m ²
Waste toner cartridges	60 cartridges	0.18 cartridge/person	86 cartridges	0.36 cartridge/person
Non-hazardous waste				
Waste paper ¹⁶	1,414.55 kg	5.57 kg/person	540.38 kg	2.25 kg/person

Combating Climate Change and Supporting Carbon Neutrality

In response to Hong Kong’s Climate Action Plan 2050 and the dual carbon goal of China, the Group has taken concrete actions at both the operational and business levels to enhance climate change management from the top down and to improve the performance in climate risk management continuously.

The Group implements energy-saving and low-carbon measures to reduce greenhouse gas emissions generated from its operation, following the global trend of low-carbon economy. We closely monitor the key indicators of climate change, regularly calculate the greenhouse gas emissions generated from the Hong Kong office areas, and make reports to the Board. Greenhouse gas emissions from the Hong Kong office areas can be divided into direct emissions (Scope 1) and indirect emissions (Scopes 2 and 3). The sources of greenhouse gas emissions under each scope are: fuel used by vehicles (Scope 1), electricity consumption during business operations (Scope 2), and employees’ business travel by air and waste paper disposed at landfills (Scope 3).

¹⁶ Waste paper production was estimated based on 30% of the paper consumption.

Hong Kong office areas — greenhouse gas emissions

Scopes of greenhouse gas emissions	Emissions in 2023	Emissions in 2022	Unit
Scope 1 ¹⁷ :	38.21	32.96	tonnes
Scope 2 ¹⁸ :	501.98	521.63	tonnes
Scope 3 ¹⁹ :	20.87	16.27	tonnes
Total greenhouse gas emissions (Scopes 1, 2 & 3)	561.07 ²⁰	570.87	tonnes
Intensity of greenhouse gas emissions (Scopes 1, 2 & 3)	0.12	0.12	tonnes/m ²
	2.21	2.38	tonnes/person

Given our greenhouse gas emissions are mainly generated from externally purchased electricity consumption in the office and business travels by employees, we have put in place measures to reduce such emissions. We encourage employees to save energy and reduce electricity consumption, and to turn off all lighting and non-essential electrical appliances outside office hours, thereby reducing the greenhouse gas emissions caused by energy consumption. Meanwhile, we implement the practice of “green procurement”, and give priority to electrical appliances with grade 1 energy labels, with the aim to improve energy efficiency and mitigate the impact on the environment. In addition, we also encourage employees to replace business travels with online means such as phone calls or video conferences as far as possible to reduce greenhouse gas emissions caused by business travels. During the Reporting Period, we effectively implemented the above-mentioned measures to save energy and reduce emissions, which cut greenhouse gas emissions.

¹⁷ The computation method and relevant emission factors of greenhouse gas emissions (Scope 1) are based on: the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition) jointly issued by the Electrical and Mechanical Services Department and the Environmental Protection Department.

¹⁸ The computation method and relevant emission factors of greenhouse gas emissions (Scope 2) are based on: the 2022 Sustainability Report by HK Electric Investments Limited and the 2022 Sustainability Report by CLP Power Hong Kong Limited.

¹⁹ The computation method and relevant emission factors of greenhouse gas emissions (Scope 3) are based on: Appendix 2: Reporting Guidance on Environmental KPIs of the Stock Exchange, and the Carbon Emissions Calculator of the International Civil Aviation Organisation (<https://www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>).

²⁰ The total greenhouse gas emissions are the sum of actual emissions in Scopes 1, 2 & 3 after rounded to two decimal places.

Corporate Social Responsibility Report

As climate change leads to more severe and frequent extreme weather events all over the world, governments of different countries have continued to strengthen climate-related regulatory measures and promote relevant technologies to cope with climate change. The Group pays particular attention to the impact of climate change on its business operations and proactively identifies and responds to potential risks arising from climate change. Physical risk, such as extreme weather and changes in rainfall patterns caused by climate change, may endanger the Group's properties, cause financial losses, and directly and indirectly affect the smooth operation of the business. Climate change may also pose different types of transition risk, including adjustment of operating modes to adapt to stricter legal and regulatory measures and changes in market trends. If the Group fails to respond to the market transition in a timely manner, it may lead to asset price changes or deterioration of credit conditions, which will result in financial losses.

The Group formulated the Measures for the Management of Climate Change-related Issues, in a bid to effectively address the risks and opportunities associated with climate change. The Measures clearly specifies the duties and responsibilities of the Task Force in relation to climate change management, including identifying physical risk (such as natural disasters) and transition risk (such as changes in laws and regulations) related to climate change, assessing the impact of climate change issues on corporate operations, and reviewing and enhancing the effectiveness of management measures for climate change response. Authorised by the Board, the Task Force assists the Board in overseeing and regularly reviewing the management of climate change response efforts. We clearly set out management processes for monitoring, risk management, and planning in the Measures for the Management of Climate Change-related Issues, which enable us to effectively manage and control the possible impacts of climate change on us.



Monitoring

- Accounting and monitoring of greenhouse gas emissions
- Reviewing and monitoring the impact of climate change on our business operations on a regular basis



Risk management

- Identifying and assessing the risks and opportunities brought by climate change
- Working out measures to manage climate change risks



Planning

- Making contingency plans for extreme weather conditions
- Developing measures to reduce greenhouse gas emissions

To maintain the normal operations of our businesses, we formulated the Measures for the Administration of Business Continuity to address operational interruptions that may arise from extreme weather events such as hurricanes, ensuring the swift restoration of normal operations and strengthening our adaptability to climate change to reduce operational risks.

We also developed the Measures of BOCOM International for the Management of Climate-related Risks and the Guidelines of BOCOM International for Climate-related Risk Investment and Management, which explain the investment risk associated with climate-related risk factors, clarify the risk management responsibilities for each business unit, and integrate climate-related risk factors into the investment risk management framework and investment process. For example, climate risk indicators were added to the Risk Appetite Framework. BOCOM International has established a climate risk assessment model and a risk categorisation system to assess the risks associated with its investments. Climate-related risks are overseen and managed by the Board and the Climate Risk Task Force appointed by the Board. The Board supervises the process of integrating climate-related considerations into investment and risk management activities, and monitors the progress towards the targets set to address climate-related matters.

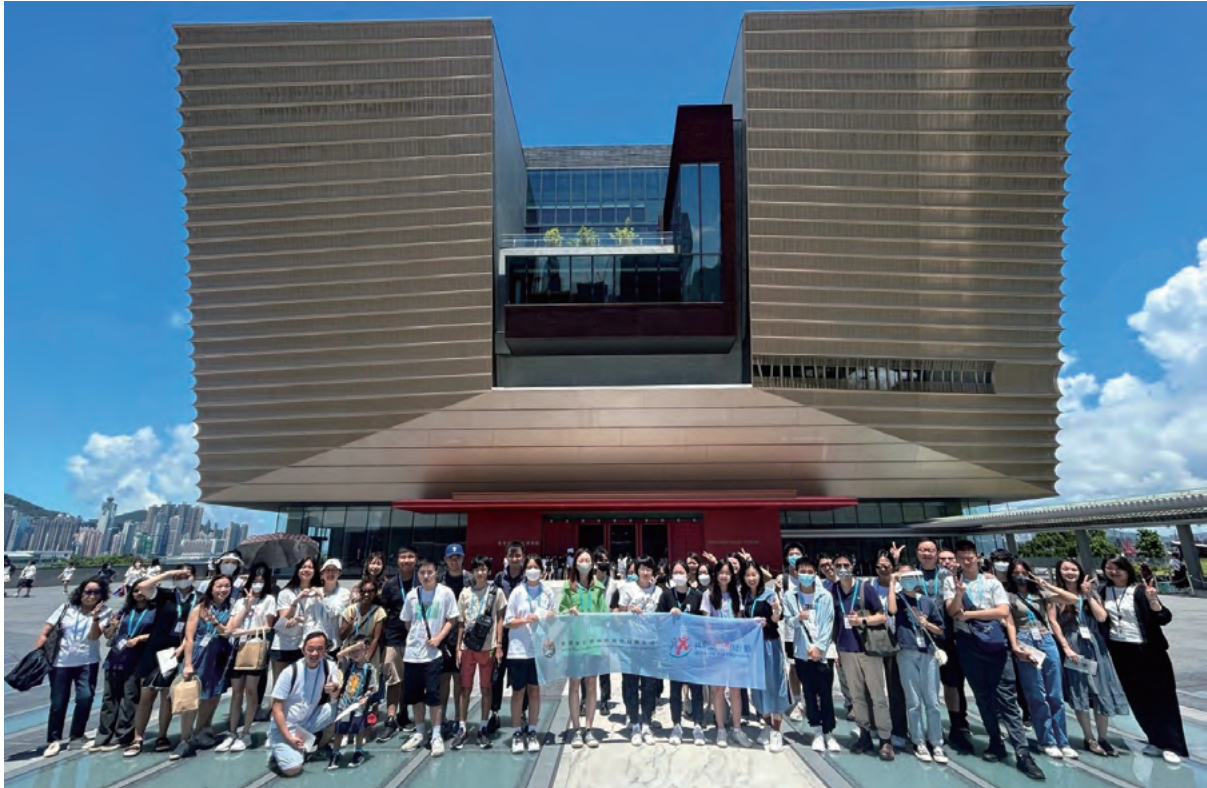
During the Reporting Period, we updated the Measures of BOCOM International for the Management of Climate-related Risks to optimise the climate risk management process from the perspective of internally reviewing and reporting investment plans, in a bid to get informed of the progress and status of climate-related risk management. We review the effectiveness of the Measures of BOCOM International for the Management of Climate-related Risks every year to ensure that portfolio managers could “have a positive impact on climate change” in the investment management process and implement the “green finance investment” strategy actively advocated by the BoCom Head Office. Fund managers actively control the climate risk faced by a fund during pre-investment research by a variety of means such as adjusting the investment proportion, communicating with the invested companies, and diversifying investments. Researchers pay close attention to market movements as well as the latest status, news, and trends of individual companies to identify the possible impact of relevant updates on investment activities.

CARING FOR SOCIETY AND STRIVING TO FULFIL SOCIAL RESPONSIBILITY

The Group pays close attention to the sustainable development needs of the community, while pursuing its own business development. Our financial institutions take social responsibility very seriously, committed to promoting the sustainable development of the community. We believe that investing in the education and development of young people is key to achieving this goal. Therefore, we support local youth development, invest in nurturing young people into the pillars of our community in the future, and play a positive role in the community by participating in community activities related to youth development.

During the Reporting Period, the Group organised its employees to participate in the Strive and Rise Programme organised by the Social Welfare Department of the Hong Kong SAR Government in a total of 102 hours, reaching out to grassroots junior high school students to provide one-on-one tutoring, share their social experience and expertise, and set good examples for teenagers with their practical acts. It is hoped that the programme would help young people broaden their horizons, enhance their self-confidence, develop a positive outlook on life and a correct concept of financial management, and prepare sound personal development plans.

The Group participated in the Strive and Rise Programme organised by the Hong Kong SAR Government



During the summer holidays in 2023, the Group took part in the Young Bankers Summer Programme organised by the Education Bureau of the Hong Kong SAR Government as the only brokerage to provide training to and communicate with more than 30 students from 14 senior high schools, with a view to helping these students better understand the latest fintech trends in Hong Kong and Mainland China as well as the day-to-day work in the financial industry. Through this programme, we aimed to help students develop a deep understanding of the financial industry and provide guidance for their future studies and career planning.

In December 2023, the Group participated in the Man Yee Building Christmas Donation Programme by donating 20 sets of toys to the Children's Heart Foundation, so as to take care of children with heart disease.

APPENDIX: SEHK GUIDE CONTENT INDEX

Mandatory disclosure rules		
	Description	Relevant Chapters/ Remarks
Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board’s oversight of ESG issues; (ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise, and manage material ESG-related issues (including risks to the issuer’s businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses. 	Sustainable Development Governance
Reporting Principles	<p>A description of, or an explanation on, the application of the reporting principles of materiality, quantitative, and consistency in the preparation of the ESG report.</p> <p>Materiality: The ESG report shall disclose: (i) the process to identify and the criteria for the selection of material ESG factors; and (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable).</p> <p>Consistency: The issuer should disclose in the ESG report any changes (if any) to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	Basis of Preparation
Reporting Boundary	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	Scope of Report

Corporate Social Responsibility Report

"Comply or explain" provisions			
	KPIs	Description	Relevant Chapters/Remarks
A. Environmental			
A1: Emissions	General Disclosure	<p>Information relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer.</p> <p>Notes: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	The contents relating to "discharges into water and land" are not applicable to our principal businesses. The others were disclosed in the chapters headed "Combating Climate Change and Supporting Carbon Neutrality", "Green Office Measures and Environmental Protection", and "Waste Management"
	A1.1	The types of emissions and respective emissions data.	Green Office Measures and Environmental Protection
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Combating Climate Change and Supporting Carbon Neutrality
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management

"Comply or explain" provisions			
	KPIs	Description	Relevant Chapters/Remarks
A. Environmental			
	A1.5	Description of emission target(s) set and steps taken to achieve them.	Green Office Measures and Environmental Protection, Combating Climate Change and Supporting Carbon Neutrality
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Office Measures and Environmental Protection, Waste Management
A2: Use of Resources	General Disclosure	Policies on efficient use of resources, including energy, water, and other raw materials. Notes: Resources can be used for production, storage, transportation, buildings, and electronic equipment.	Green Office Measures and Environmental Protection
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Office Measures and Environmental Protection
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Office Measures and Environmental Protection
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Office Measures and Environmental Protection

Corporate Social Responsibility Report

"Comply or explain" provisions			
	KPIs	Description	Relevant Chapters/Remarks
A. Environmental			
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green Office Measures and Environmental Protection
	A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Not applicable. Product manufacturing and packaging are not involved in our principal businesses.
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green Office Measures and Environmental Protection
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Office Measures and Environmental Protection
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Combating Climate Change and Supporting Carbon Neutrality
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Combating Climate Change and Supporting Carbon Neutrality

"Comply or explain" provisions			
	KPIs	Description	Relevant Chapters/Remarks
B. Social			
B1: Employment	General Disclosure	Information relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Employee Benefits and Welfare, Employee Diversity and Equal Opportunities, Employment Management
	B1.1	Total workforce by gender, employment type, age group, and geographical region.	Employment Management
	B1.2	Employee turnover rate by gender, age group, and geographical region.	Employment Management
B2: Health and Safety	General Disclosure	Information relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Employee Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Health and Safety
	B2.2	Lost days due to work injury.	Employee Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Health and Safety

Corporate Social Responsibility Report

"Comply or explain" provisions			
	KPIs	Description	Relevant Chapters/Remarks
B. Social			
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Notes: Training refers to vocational training and may include internal and external courses paid by the employer.	Employee Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management and middle management).	Employee Training and Development
	B3.2	The average training hours completed per employee by gender and employee category.	Employee Training and Development
B4: Labour Standards	General Disclosure	Information relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Employment Management
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	Employment Management The Group has eliminated all possibilities of child labour and forced labour during recruitment, so no violations will be found.

"Comply or explain" provisions			
	KPIs	Description	Relevant Chapters/Remarks
B. Social			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Sustainable Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Sustainable Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Supply Chain Management

Corporate Social Responsibility Report

"Comply or explain" provisions			
	KPIs	Description	Relevant Chapters/Remarks
B. Social			
B6: Product Responsibility	General Disclosure	Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	The contents relating to "product health and safety" and "labelling" are not applicable to our principal businesses. The others were disclosed in the chapters headed "Cybersecurity and Client Privacy", "Respecting Intellectual Property Rights", and "Promotion of Fintech and Optimisation of Financial Services"
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to principal businesses
	B6.2	Number of products and service related complaints received and how they are dealt with.	Client Satisfaction
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Respecting Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	Not applicable to principal businesses
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Cybersecurity and Client Privacy

"Comply or explain" provisions			
	KPIs	Description	Relevant Chapters/Remarks
B. Social			
B7: Anti-corruption	General Disclosure	Information relating to bribery, extortion, fraud, and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Anti-money Laundering and Counter-Financing of Terrorism, Anti-corruption and Anti-bribery
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption and Anti-bribery
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption and Anti-bribery
	B7.3	Description of anti-corruption training provided to directors and staff.	Anti-money Laundering and Counter-Financing of Terrorism, Anti-corruption and Anti-bribery
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring for Society and Striving to Fulfil Social Responsibility
	B8.1	Focus areas of contribution (e.g. education, environment, labour needs, health, culture, and sports).	Caring for Society and Striving to Fulfil Social Responsibility
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring for Society and Striving to Fulfil Social Responsibility

Awards



Excellent PE Institution
of the Year

Securities Times



Best Investment Case

CV INFO



2023 Investment
Institution Soft Power LP
Active 100

FOFWEEKLY



Best ESG Information
Disclosure Award

Zhitong Finance



China Bridge 2023 Top 30
Private Equity Investment
Institutions of
Greater Bay Area

BRIDGE RESEARCH



2023 BEST INNOVATION
AWARD

CSCI Technology DMI



2023 Top 30 Best Private
Equity Investment
Institutions in GBA

CV INFO

Independent Auditor's Report



To the members of
BOCOM International Holdings Company Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of BOCOM International Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 122 to 263, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

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

Impairment assessment of loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments)

Refer to notes 2.10.4, 3(b), 22, 23, 26 and 39.1(b) to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2023, loans and advances amounted to HK\$1,040 million, margin loans to customers amounted to HK\$1,206 million and financial assets at fair value through other comprehensive income (debt investments) amounted to HK\$6,761 million which collectively, represented 49% of the Group's total assets. As at 31 December 2023, the impairment allowance on loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments) amounted to HK\$464 million, HK\$119 million and HK\$1,060 million, respectively.

The Group assesses the impairment allowance on loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments) by applying a three-stage expected credit loss ("ECL") model in accordance with HKFRS 9, *Financial Instruments*.

How the matter was addressed in our audit

Our audit procedures in relation to the impairment assessment of loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments) included:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over the credit risk management of loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments), including the approval, recording and monitoring of these financial assets and the calculation of impairment allowance;

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (continued)

Impairment assessment of loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments) (continued)

Refer to notes 2.10.4, 3(b), 22, 23, 26 and 39.1(b) to the consolidated financial statements.

The Key Audit Matter

How the matter was addressed in our audit

Loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments) are classified as stage one when their credit risk has not increased significantly since their initial recognition; otherwise they are classified as stage two or stage three. Stage three applies when a financial asset is credit-impaired. The loss allowance for stage one financial assets is measured at an amount equal to a 12-month ECL. The loss allowance for stage two and stage three financial assets is measured at an amount equal to a lifetime ECL.

Management assesses the ECL allowance using a statistical modelling approach. The determination of the ECL allowance is subject to a number of key parameters and assumptions, including the classification of credit stages, estimates of probability of default, loss given default, exposures at default, forward-looking information taking into account of its impact on the Group's exposures to specific industries due to the increased market volatility and continued defaults from Mainland property sector. Significant judgement is involved in the selection of the parameters and the application of the assumptions.

In particular, the determination of the probability of default is heavily dependent on the external macro-economic environment; effectiveness of the stimulus measures released by the PRC and Hong Kong government and the Group's internal credit risk management strategy. The probability of default is derived from estimates including the historical losses, historical overdue data and other adjustment factors.

- involving KPMG risk and modelling specialists in assessing the Group's ECL model, including assessing the appropriateness of the methodologies applied with reference to the prevailing accounting standard, and considering the possibility of management bias in the determination of key assumptions and parameters adopted. KPMG risk and modelling specialists also evaluated the reasonableness of significant assumptions and key parameters used by management to develop ECL estimates by comparing to market information where available, including the appropriateness of credit stages, the determination of probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments;

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (continued)

Impairment assessment of loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments) (continued)

Refer to notes 2.10.4, 3(b), 22, 23, 26 and 39.1(b) to the consolidated financial statements.

The Key Audit Matter

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrowers or investees, the recoverable amount of collaterals, the seniority of the claims and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collaterals have an impact on the recoverable amounts and therefore the amount of impairment allowances as at the end of the reporting period.

We identified the impairment assessment of loans and advances, margin loans to customers and financial assets at fair value through other comprehensive income (debt investments) as a key audit matter due to its significance to the consolidated financial statements and the inherent uncertainty and involvement of significant management judgement.

How the matter was addressed in our audit

- assessing the existence of collaterals on a sample basis by obtaining independent confirmations or statements from brokers or clearing houses, or checking underlying documents such as land registry, ownership certificates; and
- assessing the reasonableness of the valuation of collaterals held on a sample basis of loans and advances and margin loans to customers with reference to publicly available market prices or other available sources;
- evaluating the reasonableness of the disclosures on impairment allowance with reference to the requirements of the prevailing accounting standard.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (continued)

Assessment of fair value of financial instruments categorized as level 3 fair value measurement

Refer to notes 3(a), 22 and 39.3 to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2023, the financial instruments classified as level 3 fair value measurement mainly comprise unlisted funds, unlisted equities and preference shares. The financial instruments classified as level 3 fair value measurement included in financial assets at fair value through profit or loss amounted to HK\$4,009 million, representing 22% of the Group's total assets.

Management engaged external valuation specialists to assist with the valuations of the Group's financial instruments. The valuation of financial instruments classified as level 3 fair value measurement was based on a combination of market data and valuation models which often require judgement.

Some of the inputs used in the valuation models are obtained from readily available data in active markets. Where such observable data is not readily available, significant management judgement and estimates were made in the valuation process.

How the matter was addressed in our audit

Our audit procedures in relation to the valuation assessment of level 3 financial instruments included:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation of level 3 financial instruments;
- reading investment agreements for a sample of level 3 financial instruments to understand the relevant investments terms and identify any conditions that were relevant to the valuation of these financial instruments;
- involving KPMG valuation specialists in evaluating the valuation of level 3 financial instruments on a sample basis. This included evaluating whether the valuation models used by the Group is appropriate with reference to the requirements of the prevailing accounting standard, assessing whether the assumptions are appropriate by comparing with publicly available market data, testing inputs to the fair value calculation and establishing our own valuation models to compare the result with the valuation adopted by the Group;

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (continued)

Assessment of fair value of financial instruments categorized as level 3 fair value measurement (continued)

Refer to notes 3(a), 22 and 39.3 to the consolidated financial statements.

The Key Audit Matter

During the year, the increased market volatility continued to result in high estimation uncertainty in management's assessment of the valuation of the level 3 financial instruments.

We identified valuation of level 3 financial instruments as a key audit matter because of the significant balance of level 3 financial instruments on the consolidated financial statements and the significant management judgement involved in determining the input used in the valuation models.

How the matter was addressed in our audit

- comparing the fair values of level 3 investment funds where the valuation is referenced to the funds' net asset value with the net asset value reports provided by fund administrators. We obtained, on a sample basis, the most recent audited financial statements of the funds to evaluate the historical accuracy of the net asset value reports; and
- evaluating the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report (Continued)

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 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, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report (Continued)

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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.
- 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.

Independent Auditor's Report (Continued)

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

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 Yiu Tsz Yeung Arion.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue			
Commission and fee income	5	142,704	212,080
Interest income	5	536,397	684,951
Proprietary trading income	5	(374,190)	(1,741,260)
		304,911	(844,229)
Other income	5	308,266	258,539
Revenue and other income		613,177	(585,690)
Commission and brokerage expenses	6	(23,902)	(31,607)
Finance costs	7	(717,671)	(478,321)
Staff costs	8	(397,982)	(370,722)
Depreciation		(124,293)	(116,592)
Other operating expenses	10	(185,865)	(241,232)
Change in impairment allowance	11	(625,608)	(1,195,191)
Total expenses		(2,075,321)	(2,433,665)
Operating loss		(1,462,144)	(3,019,355)
Share of results of associates	19	407	7,874
Share of results of joint ventures	20	17,020	26,896
Loss before taxation		(1,444,717)	(2,984,585)
Income tax expense	12	(24,783)	785
Loss for the year attributable to shareholders of the Company		(1,469,500)	(2,983,800)
Loss per share attributable to shareholders of the Company for the year — Basic/Diluted (in HKD per share)	13	(0.54)	(1.09)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
Loss for the year	(1,469,500)	(2,983,800)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of debt investments at fair value through other comprehensive income	359,282	(867,278)
Amounts reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income	252,506	77,264
Exchange differences on translation of foreign operations	611,788 (39,399)	(790,014) (223,888)
	572,389	(1,013,902)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Changes in fair value of equity investments at fair value through other comprehensive income	17,158	2,719
Other comprehensive income, net of tax	589,547	(1,011,183)
Total comprehensive income attributable to shareholders of the Company	(879,953)	(3,994,983)

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	31/12/2023 HK\$'000	31/12/2022 HK\$'000
Assets			
Non-current Assets			
Property and equipment	15	77,857	88,592
Right-of-use assets	16	144,665	177,865
Intangible assets	17	13,087	6,212
Interest in associates	19	173,073	177,311
Interest in joint ventures	20	641,160	648,434
Other assets	21	22,015	22,857
Financial assets at fair value through other comprehensive income	22	5,446,414	7,615,906
Loans and advances	23	581,270	608,838
Deferred tax assets	32	1,005	2,598
Total non-current assets		7,100,546	9,348,613
Current Assets			
Loans and advances	23	459,173	1,223,072
Tax recoverable		2,777	12,674
Accounts receivable	24	475,934	450,691
Other receivables and prepayments	25	454,951	913,948
Margin loans to customers	26	1,206,442	1,583,600
Amount due from the ultimate holding company	27	78,874	77,083
Amount due from a fellow subsidiary	27	2	24
Amounts due from related parties	27	185	236
Financial assets at fair value through other comprehensive income	22	1,341,355	1,487,254
Financial assets at fair value through profit or loss	22	5,791,191	7,773,434
Derivative financial assets	22	178	680
Cash and bank balances	28	1,299,438	1,790,544
Total current assets		11,110,500	15,313,240
Total assets		18,211,046	24,661,853
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	33	3,942,216	3,942,216
(Accumulated losses)/retained earnings		(1,339,017)	130,483
Revaluation reserve		(619,008)	(1,247,954)
Foreign currency translation reserve		(187,551)	(148,152)
Total equity		1,796,640	2,676,593

Consolidated Statement of Financial Position (Continued)

At 31 December 2023

	Notes	31/12/2023 HK\$'000	31/12/2022 HK\$'000
Liabilities			
Non-current Liabilities			
Subordinated loans from the ultimate holding company	34	1,000,000	1,000,000
Obligation under repurchase agreements	34	3,864,288	1,681,011
Lease liabilities	16	75,170	100,275
Financial liabilities at fair value through profit or loss	22	519,000	594,165
Deferred tax liabilities	32	12,623	14,867
Debt securities issued	35	3,891,207	3,881,848
Total non-current liabilities		9,362,288	7,272,166
Current Liabilities			
Borrowings	34	4,481,264	7,679,801
Obligation under repurchase agreements	34	912,197	4,073,031
Tax payable		7,682	1,718
Provision for staff costs		118,447	121,898
Other payables and accrued expenses	29	312,319	216,286
Accounts payable	30	315,892	565,445
Contract liabilities	31	28,400	26,224
Lease liabilities	16	69,995	73,180
Financial liabilities at fair value through profit or loss	22	799,518	1,949,594
Derivative financial liabilities	22	6,404	5,917
Total current liabilities		7,052,118	14,713,094
Total liabilities		16,414,406	21,985,260
Total equity and liabilities		18,211,046	24,661,853
Net current assets		4,058,382	600,146
Total assets less current liabilities		11,158,928	9,948,759

The consolidated financial statements on pages 122 to 263 were approved and authorised for issue by the Board of Directors on 25 March 2024 and signed on its behalf by:

Tan Yueheng,
Chairman & Executive Director

Wang Xianjia,
Deputy Chief Executive Officer,
Chief Risk Officer & Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Total HK\$'000			
At 1 January 2023	3,942,216	130,483	(1,247,954)	(148,152)	2,676,593	-	2,676,593	
Loss for the year	-	(1,469,500)	-	-	(1,469,500)	-	(1,469,500)	
Other comprehensive income for the year	-	-	628,946	(39,399)	589,547	-	589,547	
Total comprehensive income for the year	-	(1,469,500)	628,946	(39,399)	(879,953)	-	(879,953)	
At 31 December 2023	3,942,216	(1,339,017)	(619,008)	(187,551)	1,796,640	-	1,796,640	
At 1 January 2022	3,942,216	3,251,003	(460,659)	75,736	6,808,296	616,169	7,424,465	
Reclassification adjustment	-	-	-	-	-	(616,169)	(616,169)	
Adjusted balance at 1 January 2022	3,942,216	3,251,003	(460,659)	75,736	6,808,296	-	6,808,296	
Loss for the year	-	(2,983,800)	-	-	(2,983,800)	-	(2,983,800)	
Other comprehensive income for the year	-	-	(787,295)	(223,888)	(1,011,183)	-	(1,011,183)	
Total comprehensive income for the year	-	(2,983,800)	(787,295)	(223,888)	(3,994,983)	-	(3,994,983)	
Dividends paid to ordinary shares (Note 14)	-	(136,720)	-	-	(136,720)	-	(136,720)	
At 31 December 2022	3,942,216	130,483	(1,247,954)	(148,152)	2,676,593	-	2,676,593	

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Operating activities			
Loss before taxation		(1,444,717)	(2,984,585)
Adjustments for:			
Dividend income		(82,838)	(100,793)
Interest income from loans or clients		(245,536)	(199,855)
Interest income from financial assets at fair value through other comprehensive income		(290,861)	(485,096)
Bank and other interest income		(106,541)	(59,050)
Profit on disposal of property and equipment		–	(9)
Finance costs		717,671	478,321
Depreciation		124,293	116,592
Change in impairment allowance		631,747	1,195,191
Unrealised loss on financial assets and liabilities at fair value through profit or loss		63,294	183,670
Unrealised loss on derivative financial assets and liabilities		3,372	474,019
Realised loss on debt investments at fair value through other comprehensive income		252,506	77,264
Foreign exchange (gain)/loss		(15,798)	19,493
Share of results of associates		(407)	(7,874)
Share of results of joint ventures		(17,020)	(26,896)
Operating cash flows before movements in working capital		(410,835)	(1,319,608)
Decrease in other assets		842	12,454
Decrease in financial assets at fair value through profit or loss		1,975,374	2,856,263
(Decrease)/increase in financial liabilities at fair value through profit or loss		(1,316,064)	72,812
Increase in derivative financial assets		(158)	(382,949)
Decrease in derivative financial liabilities		(2,224)	(14,489)
(Increase)/decrease in accounts receivable		(25,246)	610,525
Decrease in margin loans to customers		371,164	473,537
Decrease/(increase) in loans and advances		780,019	(289,426)
Decrease in receivable from reverse repurchase agreements		–	106,130
Increase in amount due from the ultimate holding company		(1,791)	(77,083)
Decrease in amounts due from related parties		51	383
Decrease in amount due from a fellow subsidiary		22	6
Decrease/(increase) in other receivables and prepayments		328,365	(232,436)
(Decrease)/increase in accounts payable		(249,553)	341,327
Decrease in amount due to the ultimate holding company		–	(5,735)
Decrease in provision for staff costs		(3,451)	(41,567)
Increase in other payables and accrued expenses		57,477	58,294
Increase/(decrease) in contract liabilities		2,176	(6,583)
Net cash generated from operations		1,506,168	2,161,855

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Income tax paid		(9,669)	(80,824)
Interest received from loans or clients		251,331	186,494
Bank and other interest income received		105,288	67,377
Interest expenses paid		(607,111)	(340,575)
Net cash generated from operating activities		1,246,007	1,994,327
Investing activities			
Dividend received		82,838	100,793
Bond interest income received		435,045	523,693
Purchase of property and equipment		(23,217)	(68,673)
Proceeds on disposal of property and equipment		–	10
Purchase of intangible assets		(8,315)	(1,538)
Capital reduction of associates		–	17,965
Distribution from associates		2,115	7,670
Capital reduction of joint ventures		14,468	31,703
Capital injection to joint ventures		–	(414,482)
Distribution from joint ventures		2,365	5,274
Purchase of financial assets at fair value through other comprehensive income		(31,728)	(957,105)
Proceeds on disposal of financial assets at fair value through other comprehensive income		2,128,507	2,851,929
Increase in time deposit with original maturity of more than three months		(38)	(18)
Decrease in restricted cash		2,990	–
Net cash generated from investing activities		2,605,030	2,097,221
Financing activities			
Net repayment of bank loans and other borrowings	43	(4,163,656)	(3,859,926)
Cash payments for interest on debt securities issued	43	(68,289)	(68,368)
Dividends paid to shareholders		–	(136,720)
Capital element of lease rentals paid	43	(81,784)	(92,894)
Interest element of lease rentals paid	43	(2,841)	(2,667)
Net cash used in financing activities		(4,316,570)	(4,160,575)
Net decrease in cash and cash equivalents		(465,533)	(69,027)
Cash and cash equivalents at 1 January		1,785,873	1,833,492
Effect of exchange rate changes on cash and cash equivalents		(22,621)	21,408
Cash and cash equivalents at 31 December	28	1,297,719	1,785,873

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

BOCOM International Holdings Company Limited (the “Company”) is a company incorporated in Hong Kong. The address of its registered office is 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in securities brokerage, margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. The regulated activities carried out by the Company’s licensed subsidiaries include dealing in securities and futures and advising on securities and futures contracts, providing securities margin financing, advising on corporate finance and providing asset management services.

The parent and ultimate holding company is Bank of Communications Co., Ltd., a company incorporated in the People’s Republic of China (“PRC”) and listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company, unless otherwise stated.

2. MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of BOCOM International Holdings Company Limited have been prepared in accordance with 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”), and the requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provision 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 consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“FVOCI”), and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (“FVPL”), which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures

(a) Amended HKFRSs adopted by the Group

The Group has applied the following amended HKFRSs issued by the HKICPA to these financial statements for current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- 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*

Amendments to HKFRSs effective for the financial year ending 31 December 2023 do not have a material impact on the Group.

(b) New standards, amendments and interpretations not yet adopted by the Group

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the non-controlling interests' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

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

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

(d) Non-controlling interest

When the contracts in relation to non-controlling interests were reviewed in 2022, it is considered that presenting them as financial liabilities is a better reflection of the contractual terms and aligns with industry practice. This classification is adopted on 1 January 2022 as it is concluded that it has no material impact for users to understand the current year's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.3 Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has applied the five-step approach as prescribed in HKFRS 15 in assessing the nature of each revenue stream.

Revenue from the brokerage commission is recognised on execution of purchases, sales or other transactions or services by the Group on behalf of its clients at an agreed rate. Such commission was charged directly from the transaction proceed.

Depending on the performance obligation and transaction prices of the contracts, revenue from corporate finance is recognised over time using the output method that depicts the Group's performance, or at a point in time when the advisory service is completed.

Revenue from underwriting is recognised when the Group has fulfilled its performance obligations on execution of each significant action based on the terms of underlying agreements and mandates.

Revenue from asset management and advisory services is calculated based on the value of assets under management and performance-based fees. It is recognised over time as those services are provided continuously over the contract period. Invoices for these services income are issued on a monthly or annually basis based on the terms stated in the contract.

Handling fee is recognised when the brokerage handling services have been rendered.

Revenue from transactions or events that does not arise from a contract with a customer is not within the scope of HKFRS 15 and, therefore, those transactions or events will continue to be recognised as described below:

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset at amortised cost or at fair value through other comprehensive income except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gains/losses on financial assets are recognised on the transaction dates when the relevant contract notes are exchanged. Unrealised fair value changes are recognised in the period in which they arise.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within "other income" and "other operating expenses" respectively.

Changes in the fair value of debt securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

(c) *Group companies*

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(c) *Group companies (continued)*

- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

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

(d) *Disposal of foreign operation and partial disposal*

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.8 Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.9 Taxation

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

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis differences

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.9 Taxation (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) *Offsetting*

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

2.10 Financial instruments

2.10.1 *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.1 Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Financial assets designated upon initial recognition as at FVPL are designated at the date of initial recognition only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or recognising the gains and losses on different bases.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial liabilities at fair value through profit or loss are financial liabilities held for trading and financial liabilities designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identical financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking; or (iii) a derivative (except for a derivative that is designated and effective hedging instrument or a financial guarantee).

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the following criteria are satisfied.

- the designated eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on different bases;
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to key management personnel;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.1 Classification (continued)

- hybrid instruments containing one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear with little or no analysis that the embedded derivative(s) would not be separately recorded;
- hybrid instruments containing embedded derivatives which need to be separated but cannot be separately measured on acquisition date or subsequent reporting date.

The Group classifies its financial liabilities in the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.3 Measurement (continued)

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in a separate line item, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "proprietary trading income". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "proprietary trading income" and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment (including interest income) that is subsequently measured at FVPL is recognised in profit or loss and presented net within "proprietary trading income" in the period in which it arises.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.3 Measurement (continued)

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in "proprietary trading income" in the consolidated income statement as applicable.

Financial liabilities

Financial liabilities at fair value through profit or loss are initially recognised and subsequently measured at fair value on the statement of financial position. The related transaction costs incurred at the time of incurrence are expensed in profit or loss. Gains or losses arising from changes in the fair value of financial liabilities at fair value through profit or loss are recognised in profit or loss through "proprietary trading income".

Other financial liabilities

Other financial liabilities are initially recognised at fair value less transaction costs, and are subsequently measured at amortised cost using the effective interest method.

2.10.4 Impairment of financial assets

The Group assesses the expected credit losses ("ECL") associated with its financial assets on a forward-looking basis.

The Group has incorporated forward-looking macroeconomic information with the use of multiple probability-weighted scenarios through the use of market forecast with experienced credit judgement to reflect the quantitative and qualitative factors.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.4 Impairment of financial assets (continued)

The Group has eight types of financial assets that are subject to the ECL model:

- Loans and advances
- Financial assets at FVOCI – debt investments
- Margin loans to customers
- Accounts receivable
- Other receivables
- Amounts due from the ultimate holding company, a fellow subsidiary and related parties
- Cash and bank balances, and
- Other assets

The Group establishes ECL model by using a statistical approach for material portfolios. This approach involves estimation of four risk parameters, i.e. Probability of Default (“PD”), Loss Given Default (“LGD”), Exposure at Default (“EAD”) and expected life, as well as the use of effective interest rate (“EIR”) and forward-looking information.

Margin loans to customers

Statistical approach and average default rate are adopted in determining the ECL, and the margin loans have been grouped based on the shortfall of loan balances over the respective collateral amounts and the days past due. The underlying collateral of margin finance is mostly HKEX listed shares and bonds and the Group monitors the underlying collateral ongoingly.

Accounts receivable

To measure the ECL of accounts receivable of corporate finance and underwriting business and accounts receivable arising from the Group’s dealing in securities and future business, simplified approach under HKFRS 9 is applied to calculate a lifetime expected loss allowance.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.4 Impairment of financial assets (continued)

Other receivables and amounts due from the ultimate holding company, a fellow subsidiary and related parties

To measure the ECL, other receivables and amounts due from the ultimate holding company, a fellow subsidiary and related parties have been grouped based on shared credit risk characteristics and the days past due.

Financial assets at FVOCI – debt investments

For financial assets at FVOCI – debt investments, the Group measures the loss allowance at an amount equal to the next 12 months ECL if the credit risk of financial assets at FVOCI – debt investments has not increased significantly since initial recognition. In the event of a significant increase in credit risk, the Group recognises lifetime expected losses based on the significant increase in the likelihood or risk of a default occurring since initial recognition.

Loans and advances

Loans and advances are carried at amortised costs. The Group assesses the ECL by using “three-stage” ECL model.

Loan commitments provided by the Group are measured as at the amount of ECL allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument. The impairment allowance is recognised as a provision.

Cash and bank balances and other assets

Cash and cash balances and other assets are subject to the impairment requirements of HKFRS 9. The Group assesses the ECL by using “three-stage” ECL model.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Margin loans to customers

Margin financing refers to the lending of loans by the Group to customers for purchase of securities, for which the customers provide the Group with collateral. The Group recognises margin loans as loans and receivables, and recognises interest income using effective interest rate method.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

In the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and cash at banks, including term deposits, which are not restricted as to use.

2.14 Share capital

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

2.15 Employee benefits

The Group operates defined contribution pension plans.

(a) *Pension obligations*

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.15 Employee benefits (continued)

(a) *Pension obligations (continued)*

The Group's contributions to the defined contribution pension plans are expensed as the employees have rendered their services entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the plans prior to vesting fully in the contributions.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) *Long service payment ("LSP")*

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The Group's LSP obligation is the estimated amount of future benefit that is determined after deducting the accrued benefits derived from the Group's vested Mandatory Provident Fund ("**MPF**") contributions, which are deemed to be contributions from the relevant employees (negative service cost).

2.16 Property and equipment

Property and equipment comprise leasehold improvements, furniture and fixtures, motor vehicles and office equipment stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.16 Property and equipment (continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3–5 years
Furniture and fixtures	3–5 years
Motor vehicles	3–5 years
Office equipment	3–5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.18).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" and "other operating expenses" in the consolidated income statement.

2.17 Intangible assets

Trading rights

Trading right represents the Group's right to trade on or through The Stock Exchange of Hong Kong Limited ("SEHK"), and throttle rate for trading order to be transmitted to the Automated Matching System of the SEHK, with indefinite useful life as considered by management.

Software

Intangible assets are recognised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item shall be measured reliably, and measured initially at cost.

Development costs that can be capitalised only an entity can demonstrate all of the following:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.17 Intangible assets (continued)

Software (continued)

- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Costs that do not meet above conditions shall be recognised to the consolidated income statement during the financial period when incurred.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Amortisation on software development is calculated using the straight-line method over its estimated useful lives of 10 years.

2.18 Impairment of non-financial assets

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

2.19 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.19 Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Contingent liabilities

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

2.21 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2.22 Obligation under repurchase agreements

The obligation under repurchase agreements arises when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. The repurchase agreements entered into by the Group are functionally equivalent to collateralised borrowing which involves pledging of corresponding debt securities with an agreement to repay the borrowed sum together with agreed upon interest at an agreed upon date. These securities are not required to be derecognised in the consolidated statement of financial position. The consideration received by the Group is recognised as "Obligation under repurchase agreements" in the consolidated statement of financial position. The Group may be required to provide additional collateral based on the fair value of the underlying assets if necessary.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.23 Leases

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.23 Leases (continued)

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

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

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. It has chosen not to do so for the right-of-use buildings held by the Group.

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

2.24 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (continued)

2.24 Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (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 2.24(a).
 - (vii) A person identified in 2.24(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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Fair value of financial instruments

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

(b) Impairment allowances of financial assets

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

(c) Consolidation assessment of structured entities

Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it is the principal or an agent to determine whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services and the Group's exposure to variability of returns from other interests that it holds in the structured entities. The Group performs re-assessment periodically based on whether it has control if facts and circumstances indicate that there are changes to one or more of the elements of controls.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. SEGMENT INFORMATION

The Group manages the business operations by the following segments in accordance with the nature of the operations and services provided:

- (a) Brokerage segment provides securities trading and brokerage services.
- (b) Corporate finance and underwriting segment provides corporate finance services including equity underwriting, debt underwriting, sponsor services and financial advisory services to institutional clients.
- (c) Asset management and advisory segment offers traditional asset management products and services to third party clients. In addition, it also offers investment advisory services, portfolio management services and transaction execution services.
- (d) Margin financing segment provides securities-backed financial leverage for both retail and institutional clients.
- (e) Investment and loans segment engages in direct investment business including investments in various debt and equity securities, investments in companies and investments in loans.
- (f) Others include headquarter operations such as bank interest income, and interest expense incurred for general working capital purposes and financial technology business.

Inter-segment transactions, if any, are conducted with reference to the prices charged to external third parties. There was no change in basis during the year ended 31 December 2023.

There was no client contributing over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. SEGMENT INFORMATION (continued)

The following is an analysis of the segment revenue and segment profit or loss:

	Year ended 31 December 2023							Total HK\$'000
	Brokerage HK\$'000	Corporate finance and underwriting HK\$'000	Asset management and advisory HK\$'000	Margin financing HK\$'000	Investment and loans HK\$'000	Others HK\$'000	Elimination HK\$'000	
Total revenue								
Revenue								
Commission and fee income								
• External	81,577	25,211	35,916	-	-	-	-	142,704
• Internal	295	-	22,440	-	-	-	(22,735)	-
Interest income								
• External	-	-	-	109,133	427,264	-	-	536,397
• Internal	-	-	-	-	44,451	-	(44,451)	-
Proprietary trading income								
• External	-	-	45,784	-	(419,974)	-	-	(374,190)
• Internal	-	-	-	-	-	-	-	-
Other income	13,828	-	176	-	3,653	290,609	-	308,266
	<u>95,700</u>	<u>25,211</u>	<u>104,316</u>	<u>109,133</u>	<u>55,394</u>	<u>290,609</u>	<u>(67,186)</u>	<u>613,177</u>
Total expenses	(169,411)	(103,778)	(107,915)	(115,024)	(1,475,835)	(170,544)	67,186	(2,075,321)
Share of results of associates	-	-	-	-	407	-	-	407
Share of results of joint ventures	-	-	-	-	17,020	-	-	17,020
(Loss)/profit before taxation	<u>(73,711)</u>	<u>(78,567)</u>	<u>(3,599)</u>	<u>(5,891)</u>	<u>(1,403,014)</u>	<u>120,065</u>	<u>-</u>	<u>(1,444,717)</u>
Other disclosures								
Depreciation	(26,980)	(4,413)	(31,835)	(8,940)	(23,903)	(28,222)	-	(124,293)
Change in impairment allowance	(2)	-	-	(5,995)	(619,611)	-	-	(625,608)
Finance costs	(656)	(214)	(402)	(67,122)	(692,908)	(820)	44,451	(717,671)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. SEGMENT INFORMATION (continued)

	Year ended 31 December 2022							Total HK\$'000
	Brokerage HK\$'000	Corporate finance and underwriting HK\$'000	Asset management and advisory HK\$'000	Margin financing HK\$'000	Investment and loans HK\$'000	Others HK\$'000	Elimination HK\$'000	
Total revenue								
Revenue								
Commission and fee income								
• External	108,281	59,360	44,439	-	-	-	-	212,080
• Internal	99	-	18,196	-	-	-	(18,295)	-
Interest income								
• External	-	-	-	102,394	582,557	-	-	684,951
• Internal	-	-	-	-	67,313	-	(67,313)	-
Proprietary trading income								
• External	-	-	(466,097)	-	(1,275,163)	-	-	(1,741,260)
• Internal	-	-	-	-	-	-	-	-
Other income	14,075	-	1,324	-	16,351	226,789	-	258,539
	<u>122,455</u>	<u>59,360</u>	<u>(402,138)</u>	<u>102,394</u>	<u>(608,942)</u>	<u>226,789</u>	<u>(85,608)</u>	<u>(585,690)</u>
Total expenses	(172,398)	(92,397)	(128,642)	(128,131)	(1,833,423)	(164,282)	85,608	(2,433,665)
Share of results of associates	-	-	-	-	7,874	-	-	7,874
Share of results of joint ventures	-	-	-	-	26,896	-	-	26,896
(Loss)/profit before taxation	<u>(49,943)</u>	<u>(33,037)</u>	<u>(530,780)</u>	<u>(25,737)</u>	<u>(2,407,595)</u>	<u>62,507</u>	<u>-</u>	<u>(2,984,585)</u>
Other disclosures								
Depreciation	(28,809)	(5,152)	(18,293)	(11,454)	(22,426)	(30,458)	-	(116,592)
Change in impairment allowance	(905)	-	-	(19,764)	(1,174,522)	-	-	(1,195,191)
Finance costs	(310)	(94)	(524)	(60,647)	(482,961)	(1,098)	67,313	(478,321)

The geographical information of revenue is disclosed as follows:

	2023 HK\$'000	2022 HK\$'000
Total revenue from external customers by location of operations		
– Hong Kong	333,818	(826,205)
– Mainland China	279,359	240,515
	<u>613,177</u>	<u>(585,690)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

5. REVENUE AND OTHER INCOME

(a) Disaggregation of revenue and other income

	2023 HK\$'000	2022 HK\$'000
REVENUE		
COMMISSION AND FEE INCOME		
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
Brokerage commission	81,577	108,281
Corporate finance and underwriting fee	25,211	59,360
Asset management and advisory fee	35,916	44,439
	142,704	212,080
INTEREST INCOME		
<i>Interest income calculated using the effective interest method</i>		
Interest income from margin financing	109,133	102,394
Interest income from loans and advances	136,403	97,461
Interest income from financial assets at fair value through other comprehensive income	290,861	485,096
	536,397	684,951
PROPRIETARY TRADING INCOME		
<i>Interest income calculated using the effective interest method</i>		
Net trading and investment income		
– Interest income from financial assets at fair value through profit or loss	34,325	122,116
<i>Revenue from other sources</i>		
Net trading and investment income		
– Net loss on financial assets at fair value through profit or loss	(105,272)	(1,743,958)
– Net loss on financial assets at fair value through other comprehensive income	(241,936)	(81,553)
– Net (loss)/gain on financial liabilities at fair value through profit or loss	(88,639)	1,292,988
– Net loss on derivative financial instruments	(65,006)	(1,445,877)
– Fair value changes from financial liabilities to the investors of the funds consolidated	9,500	14,231
Dividend income from		
– Financial assets at fair value through profit or loss	82,579	100,793
– Financial assets at fair value through other comprehensive income	259	–
	(374,190)	(1,741,260)
	304,911	(844,229)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

5. REVENUE AND OTHER INCOME (continued)

(a) Disaggregation of revenue and other income (continued)

During the years ended 31 December 2023 and 2022, there was no gain or loss arising from the derecognition of financial assets at amortised cost.

	2023 HK\$'000	2022 HK\$'000
OTHER INCOME		
Handling fees	11,737	13,918
Other interest income	106,541	59,050
Exchange gain	15,798	–
Computer software development and maintenance services	156,634	129,641
Information system consultancy services	866	10,288
Others	16,690	45,642
	<u>308,266</u>	<u>258,539</u>

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

At the end of the reporting period, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$28,400 thousand (31 December 2022: HK\$26,224 thousand). This amount represents revenue expected to be recognised in the future from corporate finance, asset management and advisory services business. The Group will recognise the expected revenue in future when the remaining performance obligations under the contracts are satisfied, which is expected to occur within one year.

6. COMMISSION AND BROKERAGE EXPENSES

	2023 HK\$'000	2022 HK\$'000
Commission rebate to account executives	20,762	27,809
Commission rebate to the ultimate holding company (Note 36)	874	1,649
Commission rebate to a fellow subsidiary (Note 36)	1,917	2,007
Others	349	142
	<u>23,902</u>	<u>31,607</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

7. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest expenses on subordinated loans from the ultimate holding company (Note 36)	57,674	28,247
Interest expenses on bank loans from the ultimate holding company (Note 36)	47,906	15,024
Interest expenses on bank loans and overdraft from other financial institutions	267,387	183,995
Interest expenses on obligation under repurchase agreements	270,523	132,530
Interest expenses on lease liabilities	2,841	2,667
Interest expenses on financial liabilities	27	395
Interest expenses on debt securities issued:		
– payable to the ultimate holding company (Note 36)	1,374	1,676
– payable to the fellow subsidiaries (Note 36)	4,527	4,504
– payable to other financial institutions	65,352	65,103
Others	55	60
	717,666	434,201
Other borrowing costs to other financial institutions	5	44,120
	717,671	478,321

8. STAFF COSTS

	2023 HK\$'000	2022 HK\$'000
Salaries, bonus, staff allowances	379,129	355,319
Directors' fees	1,080	1,080
Contributions to retirement benefit scheme	17,773	14,323
	397,982	370,722

During the year, no benefits were provided in respect of the termination of the service of directors and the Group did not incur any payment to third parties for making available directors' services.

The amount of forfeited contributions utilised in the course of the year ended 31 December 2023 was HK\$1,862 thousand (2022: HK\$3,818 thousand).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

8. STAFF COSTS (continued)

Five highest paid individuals

The five highest paid individuals of the Group include nil director (2022: two directors) for the year ended 31 December 2023.

The emoluments of the five (2022: remaining three) highest paid individuals (excluding directors) are as follows:

Number of individuals

	2023	2022
Individuals		
Emolument bands (HK\$)		
3,000,001 – 3,500,000	4	1
3,500,001 – 4,000,000	1	2
Number of individuals	5	3

Details of the remuneration payable to the five individuals for the year ended 31 December 2023 and remaining three individuals for the year ended 31 December 2022, whose emoluments were the highest in the Group are as follows:

	2023 HK\$'000	2022 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	15,827	9,726
Contributions to retirement benefit scheme	416	299
Bonus	–	850
	16,243	10,875

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals of the Group during the years ended 31 December 2023 and 2022.

Bonus for the five highest paid individuals of the Group for 2023 has not yet been finalised, which will be disclosed upon determination in due course.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

9. BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments

The remuneration of all directors are set out below:

For the year ended 31 December 2023

Name	Fees HK\$'000	Salaries, housing, other allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Tan Yueheng	-	2,630	-	133	2,763
Zhu Chen	-	2,172	-	-	2,172
Cheng Chuange ⁽¹⁾	-	2,275	-	119	2,394
Po Ying ⁽²⁾	-	-	-	-	-
Wang Xianjia ⁽³⁾	-	89	-	-	89
Shan Zengjian ⁽⁴⁾	-	-	-	-	-
Independent Non-executive Director:					
Tse Yung Hoi	360	-	-	-	360
Ma Ning	360	-	-	-	360
Lin Zhijun	360	-	-	-	360
Total	<u>1,080</u>	<u>7,166</u>	<u>-</u>	<u>252</u>	<u>8,498</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

9. BENEFITS AND INTERESTS OF DIRECTORS (continued)

Directors' emoluments (continued)

For the year ended 31 December 2022

Name	Fees HK\$'000	Salaries, housing, other allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Tan Yueheng	-	3,040	340	140	3,520
Zhu Chen	-	1,011	-(5)	-	1,011
Meng Yu	-	366	194	-	560
Cheng Chuange	-	2,288	1,292	124	3,704
Lin Zhihong	-	-	-	-	-
Po Ying	-	-	-	-	-
Wang Xianjia	-	-	-	-	-
Independent Non-executive Director:					
Tse Yung Hoi	360	-	-	-	360
Ma Ning	360	-	-	-	360
Lin Zhijun	360	-	-	-	360
Total	<u>1,080</u>	<u>6,705</u>	<u>1,826</u>	<u>264</u>	<u>9,875</u>

- (1) Cheng Chuange resigned as an executive director and the deputy chief executive officer with effect from 11 December 2023.
- (2) Po Ying retired as a non-executive director with effect from 29 June 2023.
- (3) Wang Xianjia was re-designated from a non-executive director to an executive director and appointed as the deputy chief executive officer and chief risk officer with effect from 11 December 2023.
- (4) Shan Zengjian was appointed as a non-executive director with effect from 29 June 2023.
- (5) Ms. Zhu Chen voluntarily waived her rights to receive the annual bonus for the year ended 31 December 2022 from the Company in May 2023. Saved as disclosed, no directors waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the years ended 31 December 2023 and 2022.

The emoluments bands of other senior management remuneration of the Company ranged from HK\$1,000,001 to HK\$3,500,000 during the year ended 31 December 2023 (2022: HK\$2,000,001 to HK\$4,000,000).

The total compensation package for the executive directors and senior management for the year 2023 has not yet been finalised. The final compensation will be disclosed when determined.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

10. OTHER OPERATING EXPENSES

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration		
– Audit fee for the Group	6,099	6,954
– Taxation and other advisory services	35	85
Bank charges	544	786
Business development expenses	1,738	1,955
Business tax expenses	6,577	7,538
Exchange and clearing fees	17,887	18,039
Exchange loss	–	19,493
IT expenses	44,145	49,370
Legal and professional fee	16,623	19,357
Management fee expenses	5,305	5,150
Motor and travelling expenses	7,511	3,405
Office and maintenance expenses	46,708	46,520
Operating lease charges	3,398	15,075
Recruitment expenses	4,372	7,373
Service fee expenses	17,413	31,639
Others	7,510	8,493
	<u>185,865</u>	<u>241,232</u>

11. CHANGE IN IMPAIRMENT ALLOWANCE

	2023 HK\$'000	2022 HK\$'000
Change in impairment allowance on:		
Receivable from reverse repurchase agreements	–	(127)
Accounts receivable (Note 24)	2	905
Margin loans to customers (Note 26)	5,995	19,764
Loans and advances (Note 23)	11,448	430,568
Debt investments at fair value through other comprehensive income	597,998	677,388
Other receivables (Note 25)	16,304	66,693
	<u>631,747</u>	<u>1,195,191</u>
Bad debts recovery	(6,139)	–
	<u>625,608</u>	<u>1,195,191</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

12. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax:		
PRC Enterprise Income Tax	708	(12,342)
Under/(over) provision in prior years	25,044	(3,943)
Total current tax	25,752	(16,285)
Deferred tax	(969)	15,500
Income tax expense recognised in profit or loss	24,783	(785)

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the years. Taxation on overseas profits has been calculated on the estimated assessable profit for the years at the rates of taxation prevailing in the countries in which the Group operates.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the People's Republic of China's entities is 25%.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before taxation	(1,444,717)	(2,984,585)
Tax at the income tax rate of 16.5%	(238,378)	(492,457)
Tax effect of expenses not deductible for tax purpose	87,634	70,432
Tax effect of income not taxable for tax purpose	(151,009)	26,052
Tax effect of tax losses not recognised	308,427	384,858
Tax effect of utilisation of tax losses previously not recognised	(1,079)	(1,331)
Tax effect of unrecognised deductible temporary difference	(969)	15,500
Under/(over) provision in prior years	25,044	(3,943)
Effect of different tax rates of subsidiaries operating in the PRC	(4,887)	104
Tax charge for the year	24,783	(785)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

13. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Loss attributable to shareholders of the Company (HK\$'000)	(1,469,500)	(2,983,800)
Weighted average number of ordinary shares in issue (in '000 shares)	<u>2,734,392</u>	<u>2,734,392</u>
Loss per share (in HKD per share)	<u>(0.54)</u>	<u>(1.09)</u>

(b) Diluted

For the years ended 31 December 2023 and 2022, there were no potential diluted ordinary shares. The diluted loss per share was the same as the basic loss per share.

14. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
No dividend was proposed after the end of the reporting period and previous financial year	<u>-</u>	<u>-</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

15. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost					
At 1 January 2022	43,824	8,467	9,622	109,392	171,305
Additions	4,104	74	1,611	62,884	68,673
Disposals	–	(55)	(1,358)	(1,721)	(3,134)
Exchange adjustments	(1,491)	(397)	(29)	(697)	(2,614)
At 31 December 2022 and 1 January 2023	46,437	8,089	9,846	169,858	234,230
Additions	12,507	36	–	10,674	23,217
Disposals	–	–	–	(7,670)	(7,670)
Exchange adjustments	(713)	(92)	(183)	(1,019)	(2,007)
At 31 December 2023	58,231	8,033	9,663	171,843	247,770
Accumulated depreciation					
At 1 January 2022	38,167	4,057	8,622	78,658	129,504
Charge for the year	2,429	930	931	16,439	20,729
Disposals	–	(55)	(1,358)	(1,720)	(3,133)
Exchange adjustments	(1,162)	(20)	(29)	(251)	(1,462)
At 31 December 2022 and 1 January 2023	39,434	4,912	8,166	93,126	145,638
Charge for the year	4,604	870	562	26,649	32,685
Disposals	–	–	–	(7,670)	(7,670)
Exchange adjustments	(183)	(104)	(188)	(265)	(740)
At 31 December 2023	43,855	5,678	8,540	111,840	169,913
Carrying values					
At 31 December 2022	7,003	3,177	1,680	76,732	88,592
At 31 December 2023	14,376	2,355	1,123	60,003	77,857

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

16. LEASES

(a) Amounts recognised in the consolidated statement of financial position:

	2023 HK\$'000	2022 HK\$'000
Right-of-use assets		
Buildings	144,440	177,758
Others	225	107
	<u>144,665</u>	<u>177,865</u>
Lease liabilities		
Non-current	75,170	100,275
Current	69,995	73,180
	<u>145,165</u>	<u>173,455</u>

Additions to the right-of-use assets during the 2023 financial year were HK\$58,063 thousand (2022: HK\$55,495 thousand).

(b) Amounts recognised in the consolidated income statement:

	2023 HK\$'000	2022 HK\$'000
Depreciation charge of right-of-use assets		
Buildings	90,105	95,433
Others	126	128
	<u>90,231</u>	<u>95,561</u>
Interest expenses (included in finance costs)	2,841	2,667
Expenses relating to short-term leases (included in other operating expenses)	908	12,791
Expenses relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses)	27	154
	<u>3,776</u>	<u>15,612</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

16. LEASES (continued)

(b) Amounts recognised in the consolidated income statement: (continued)

The total cash outflow for leases in 2023 was HK\$85,560 thousand (2022: HK\$108,506 thousand).

The Group leases various offices, staff quarters and car parks. Rental contracts are typically made for fixed periods of 1 year to 5 years, but may have extension and termination options. These options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

17. INTANGIBLE ASSETS

	Trading rights HK\$'000	Software development HK\$'000	Total HK\$'000
Cost			
At 1 January 2022	3,196	1,952	5,148
Additions	–	1,538	1,538
Exchange adjustments	–	(161)	(161)
At 31 December 2022 and 1 January 2023	3,196	3,329	6,525
Additions	–	8,315	8,315
Exchange adjustments	–	(65)	(65)
At 31 December 2023	3,196	11,579	14,775
Accumulated amortisation			
At 1 January 2022	–	16	16
Charge for the year	–	302	302
Exchange adjustments	–	(5)	(5)
At 31 December 2022 and 1 January 2023	–	313	313
Charge for the year	–	1,377	1,377
Exchange adjustments	–	(2)	(2)
At 31 December 2023	–	1,688	1,688
Carrying values			
At 31 December 2022	3,196	3,016	6,212
At 31 December 2023	3,196	9,891	13,087

The Group holds four trading rights of The Stock Exchange of Hong Kong Limited (the "SEHK") and are considered by the directors as having an indefinite useful life because the trading rights of the SEHK are expected to contribute to net cash inflows indefinitely. The intangible assets will not be amortised until their useful lives are determined to be finite. Instead, the intangible assets will be tested for impairment annually.

For the purpose of impairment testing on the intangible assets held by the Group, the recoverable amounts have been determined based on fair values less costs of disposal. For the years ended 31 December 2023 and 2022, no impairment loss for intangible assets was recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

18. INVESTMENT IN SUBSIDIARIES

As at 31 December 2023, the Company had direct or indirect interests in the following principal subsidiaries, which in the opinion of the directors, is material to the Group.

Name of subsidiaries	Place of incorporation, operation and kind of legal entity	Principal activities	Issued and fully paid-up capital	Equity interest held by the Group		
				2023	2022	Directly held/ indirectly held
BOCOM International Securities Limited	Hong Kong, Limited Liability Company	Dealing in securities and futures	HKD1,100,000,000	100%	100%	Directly
BOCOM International (Asia) Limited	Hong Kong, Limited Liability Company	Corporate Finance	HKD10,000,000	100%	100%	Directly
BOCOM International Asset Management Limited	Hong Kong, Limited Liability Company	Asset management	HKD825,000,000	100%	100%	Directly
BOCOM International (Shanghai) Equity Investment Management Co., Ltd.* 交銀國際(上海)股權投資管理有限公司	Shanghai, Limited Liability Company	Investment management and advisory service	USD72,000,000	100%	100%	Directly
Preferred Investment Management Limited	British Virgin Islands, Limited Liability Company	Investment management	USD100	100%	100%	Directly
BIAM Leveraged Credit Fund SP	Cayman Islands, investment fund	Investment trading	2023: USD7,941,001 2022: USD9,000,338	100%	100%	Directly
BOCOM International China Dynamic Fund	Hong Kong, investment fund of unit trust	Investment trading	2023: RMB29,725,013 2022: RMB34,273,968	82.93%	81.84%	Directly
Qingdao BOCOM Haikong Science and Technology Innovation Equity Investment Partnership Enterprise (Limited Partnership)* 青島交銀海控科創股權投資合夥企業(有限合夥)	Qingdao, Limited Partnership	Investment trading	RMB182,000,000	50%	50%	Directly and indirectly
BOCOM International Nova Limited	Hong Kong, Limited Liability Company	Investment management	HKD1	100%	100%	Directly
Hainan BOCOM International Science and Technology Innovation Shengxing Equity Investment Partnership Enterprise (Limited Partnership)* 海南交銀國際科創盛興股權投資合夥企業(有限合夥)	Hainan, Limited Partnership	Investment trading	USD99,971,943	100%	100%	Directly and indirectly
BOCOM International Blossom Limited	British Virgin Islands, Limited Liability Company	Financing	USD1	100%	100%	Directly
BOCOM International Dragon Core Growth Fund	Hong Kong, investment fund of unit trust	Investment trading	2023: HKD131,243,462 2022: HKD177,723,597	77.67%	82.09%	Directly

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

18. INVESTMENT IN SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation, operation and kind of legal entity	Principal activities	Issued and fully paid-up capital	Equity interest held by the Group		
				2023	2022	Directly held/ indirectly held
Hainan BOCOM Science and Technology Innovation Shengjing Private Fund Partnership Enterprise (Limited Partnership)* 海南交銀科創盛景私募基金合夥企業(有限合夥)	Hainan, Limited Partnership	Investment trading	USD220,000	100%	100%	Directly and indirectly
Global Strategic Emerging Markets Bond Fund	Hong Kong, investment fund of unit trust	Investment trading	2023: USD6,269,370 2022: USD7,908,047	98.73%	98.97%	Directly
Hainan BOCOM Science and Technology Innovation Shengtang Private Fund Partnership Enterprise (Limited Partnership)* 海南交銀科創盛棠私募基金合夥企業(有限合夥)	Hainan, Limited Partnership	Investment trading	2023: USD29,630,929 2022: USD29,077,091	77.81%	77.81%	Directly and indirectly
BOCOM (Hebei Xiongan) Equity Investment Partnership Enterprise (Limited Partnership)* 交銀(河北雄安)股權投資合夥企業(有限合夥)	Xiongan, Limited Partnership	Investment trading	RMB3,000,000	100%	100%	Directly and indirectly
Nanjing Jianye BOCOM Hengxuan Equity Investment Partnership Enterprise (Limited Partnership)* 南京建鄴交銀恒暄股權投資合夥企業(有限合夥)	Nanjing, Limited Partnership	Investment trading	- ²	60%	60%	Directly and indirectly
BOCOM International Balance Investment Limited	British Virgin Islands, Limited Liability Company	Investment management	USD1	100%	100%	Directly
Hainan BOCOM STI Shengrui Private Equity Investment Fund Partnership Enterprise (Limited Partnership)* 海南交銀科創盛睿私募基金股權投資基金合夥企業(有限合夥)	Hainan, Limited Partnership	Investment trading	RMB1,177,560	100%	100%	Directly and indirectly
BOCOM International STI Private Fund Management (Shanghai) Co., Ltd.* 交銀國際科創私募基金管理(上海)有限公司	Shanghai, Limited Liability Company	Investment management	RMB20,000,000	100%	100%	Directly
BOCOM International Private Equity Fund Management (Shenzhen) Company Limited* 交銀國際私募股權基金管理(深圳)有限公司 (formerly: BOCOM International Equity Investment Management (Shenzhen) Company Limited* 交銀國際股權投資管理(深圳)有限公司)	Shenzhen, Limited Liability Company	Investment management	USD5,000,000	100%	100%	Directly
Comity Limited (formerly: BOCOM International Futures Limited) ¹	Hong Kong, Limited Liability Company	Dealing in futures	HKD10,000,000	100%	100%	Indirectly
Brilliant Investment Management Limited	Cayman Islands, Limited Liability Company	Investment management	USD1	100%	100%	Indirectly

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

18. INVESTMENT IN SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation, operation and kind of legal entity	Principal activities	Issued and fully paid-up capital	Equity interest held by the Group		
				2023	2022	Directly held/ indirectly held
BOCOM International Radiant Investment Limited	British Virgin Islands, Limited Liability Company	Investment management	USD1	100%	100%	Indirectly
Shanghai Bole Investment Company Limited* 上海博樂投資有限公司	Shanghai, Limited Liability Company	Investment trading	RMB159,000,000	100%	100%	Indirectly
BOCOM International Beyond Limited	Hong Kong, Limited Liability Company	Investment management	HKD1	100%	100%	Indirectly
BOCOM Financial Technology Company Limited* 交銀金融科技有限公司	Shanghai, Limited Liability Company	Financial technology	RMB600,000,000	100%	100%	Indirectly
BOCOM International Product and Solution Limited	British Virgin Islands, Limited Liability Company	Investment trading	USD1	100%	100%	Indirectly
BOCOM Shunjing (Hangzhou) Equity Investment Partnership Enterprise (Limited Partnership)* 交銀舜晶(杭州)股權投資合夥企業(有限合夥)	Hangzhou, Limited Partnership	Investment trading	RMB121,000,000	29.71%	29.71%	Indirectly
BOCOM International Flourish Investment Limited	Hong Kong, Limited Liability Company	Investment management	HKD15,000,000	100%	100%	Indirectly
BOCOM International Splendid Investment Limited	Hong Kong, Limited Liability Company	Investment management	HKD15,000,000	100%	100%	Indirectly
Shenzhen Boqiang Investment Consulting Company Limited* 深圳博強投資諮詢有限公司	Shenzhen, Limited Liability Company	Investment trading and advisory service	RMB100,000	100%	100%	Indirectly
Qiniu BOCOM International No. 1 Equity Fund* 七牛-交銀國際一號私募股權投資基金	Shenzhen, Contractual Fund	Investment trading	RMB31,093,280	38.71%	38.71%	Indirectly
Shanghai Boli Investment Company Limited* 上海博禮投資有限公司	Shanghai, Limited Liability Company	Investment trading	RMB105,000,000	100%	100%	Indirectly
Shenzhen STI Shengxing BOCOM International Private Equity Investment Fund Partnership Enterprise (Limited Partnership)* 深圳科創盛興交銀國際私募股權投資基金合夥企業(有限合夥)	Shenzhen, Limited Partnership	Investment trading	— ³	100%	100%	Indirectly
Shenzhen BOCOM STI Zhengzhong Private Equity Investment Fund Partnership Enterprise (Limited Partnership)* 深圳交銀科創正中私募股權投資基金合夥企業(有限合夥)	Shenzhen, Limited Partnership	Investment trading	2023: RMB22,032,708 2022: RMB2,000,000	50.1%	50.1%	Indirectly

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

18. INVESTMENT IN SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation, operation and kind of legal entity	Principal activities	Issued and fully paid-up capital	Equity interest held by the Group		
				2023	2022	Directly held/ indirectly held
Lianyungang BOCOM Equity Investment Partnership Enterprise (Limited Partnership)* 連雲港交銀股權投資合夥企業(有限合夥)	Lianyungang, Limited Partnership	Investment trading	- ⁴	100%	100%	Indirectly
Jiaxing Hengsheng Equity Investment Fund Partnership Enterprise (Limited Partnership)* 嘉興恒昇股權投資基金合夥企業(有限合夥)	Jiaxing, Limited Partnership	Investment trading	2023: - ⁵ 2022: RMB20,150,000	23.25%	23.25%	Indirectly
Nanjing Boyuan Equity Investment Company Limited* 南京博遠股權投資有限公司	Nanjing, Limited Liability Company	Investment trading	RMB10,010,000	100%	100%	Indirectly
Jiaxing Hengyu Equity Investment Fund Partnership Enterprise (Limited Partnership)* 嘉興恒昱股權投資基金合夥企業(有限合夥)	Jiaxing, Limited Partnership	Investment trading	RMB30,300,000	55.56%	55.56%	Indirectly
BOCOM Science and Technology Innovation Equity Investment Fund (Shanghai) Partnership Enterprise (Limited Partnership)* 交銀科創股權投資基金(上海)合夥企業(有限合夥)	Shanghai, Limited Partnership	Investment trading	2023: RMB220,950,000 2022: RMB360,200,000	26.32%	26.32%	Indirectly

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

Notes:

- Comity Limited (formerly: BOCOM International Futures Limited) ceased the business of regulated activities on 9 January 2018.
- Nanjing Jianye BOCOM Hengxuan Equity Investment Partnership Enterprise (Limited Partnership) had an issued capital of RMB64,000,000 without fully paid up as at 31 December 2023.
- Shenzhen STI Shengxing BOCOM International Private Equity Investment Fund Partnership Enterprise (Limited Partnership) had an issued capital of RMB1,000,000,000 without fully paid up as at 31 December 2023.
- Lianyungang BOCOM Equity Investment Partnership Enterprise (Limited Partnership) had an issued capital of RMB349,000,000 without fully paid up as at 31 December 2023.
- In November 2023, according to the provision in the partnership agreement, distribution was made to the partners, resulting in the recovery of their investment principal.

All the subsidiaries have adopted 31 December as their financial year end date for statutory reporting purpose.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

19. INTEREST IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
Unlisted investment at the beginning of the year	158,956	176,921
Reduction for the year	–	(17,965)
	158,956	158,956
Profit after acquisition		
– As at 1 January	21,856	21,652
– Share of profit for the year	407	7,874
Distribution for the year	(2,115)	(7,670)
Accumulated exchange difference arising from translation of foreign operations	(6,031)	(3,501)
	173,073	177,311

Set out below is the associates of the Group as at 31 December 2023 which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares; the country of incorporation or registration are also its principal place of business.

Name of entity	Place of incorporation, operation and kind of legal entity	Principal activities	Measurement method	Issued and fully paid-up capital	2023	2022	Directly held/ Indirectly held
Cross-border Interbank Payment System Co., Ltd.* 跨境銀行間支付清算有限責任公司	Shanghai, Limited Liability Company	Clearing	Equity	RMB2,380,000,000	3.14%	3.14%	Indirectly
Jiaxing Henghao Equity Investment Fund Partnership Enterprise (Limited Partnership)* 嘉興恒昊股權投資基金合夥企業(有限合夥)	Jiaxing, Limited Partnership	Investment trading	Equity	– ¹	9.79%	9.79%	Indirectly
State Grid Yingda Industry Investment Funds Management Co., Ltd.* 國網英大產業投資基金管理有限公司	Beijing, Limited Liability Company	Investment management	Equity	RMB600,000,000	10%	10%	Indirectly

* The English translation of the names is for reference only. The official name of the entity is in Chinese.

Note:

1 In September 2022, according to the provisions in the partnership agreement, distribution was made to the partners, resulting in the recovery of their investment principal.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

19. INTEREST IN ASSOCIATES (continued)

Set out below is the summarised financial information for the significant associates of the Group which are accounted for using the equity method:

Cross-border Interbank Payment System Co., Ltd.

	2023 HK\$'000	2022 HK\$'000
Current assets	2,430,525	2,522,826
Non-current assets	170,742	200,959
Current liabilities	(109,161)	(120,039)
Non-current liabilities	(38,240)	(79,394)
Net assets	<u>2,453,866</u>	<u>2,524,352</u>
Net assets attributable to shareholders	<u>2,453,866</u>	<u>2,524,352</u>
Reconciled to the Group's interest in the associate:		
Group's effective interest	3.14%	3.14%
Group's share of net assets of the associate	<u>79,976</u>	<u>86,802</u>
Carrying amount	<u>79,976</u>	<u>86,802</u>
Revenue	<u>128,176</u>	<u>99,682</u>
Loss after taxation	<u>(32,327)</u>	<u>(85,602)</u>
Reconciled to the Group's share of results of the associate:		
Group's effective interest	3.14%	3.14%
Group's share of loss after taxation of the associate for the year	<u>(5,688)</u>	<u>(76)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

19. INTEREST IN ASSOCIATES (continued)

State Grid Yingda Industry Investment Funds Management Co., Ltd

	2023 HK\$'000	2022 HK\$'000
Current assets	2,990,152	2,377,492
Non-current assets	483,127	520,626
Current liabilities	(9,465)	(10,567)
Non-current liabilities	(467,567)	(901,524)
Non-controlling interests	(2,133,173)	(1,172,141)
Net assets	<u>863,074</u>	<u>813,886</u>
Net assets attributable to shareholders	<u>863,074</u>	<u>813,886</u>
Reconciled to the Group's interest in the associate:		
Group's effective interest	10%	10%
Group's share of net assets of the associate	<u>87,175</u>	<u>80,592</u>
Carrying amount	<u>87,175</u>	<u>80,592</u>
Revenue	<u>103,865</u>	<u>98,359</u>
Profit after taxation	<u>104,418</u>	<u>99,953</u>
Reconciled to the Group's share of results of the associate:		
Group's effective interest	10%	10%
Group's share of profit after taxation of the associate for the year	<u>9,461</u>	<u>8,020</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

19. INTEREST IN ASSOCIATES (continued)

The following table provides aggregate information of associates that are not individually material to the Group:

	2023 HK\$'000	2022 HK\$'000
Aggregate carrying amounts of individually immaterial associates	<u>5,922</u>	<u>9,917</u>
Aggregate amounts of the Group's share of:		
Loss after taxation	<u>(3,366)</u>	(70)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(3,366)</u>	<u>(70)</u>

20. INTEREST IN JOINT VENTURES

	2023 HK\$'000	2022 HK\$'000
Balance at beginning of year	648,434	279,318
Addition for the year	-	414,482
Reduction for the year	(14,468)	(31,703)
Share of profit for the year	17,020	26,896
Distribution for the year	(2,365)	(5,274)
Exchange difference arising from translation of foreign operations	<u>(7,461)</u>	<u>(35,285)</u>
Balance at end of year	<u>641,160</u>	<u>648,434</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

20. INTEREST IN JOINT VENTURES (continued)

Set out below is the joint ventures of the Group as at 31 December 2023 which, in the opinion of the directors, are material to the Group:

Name of entity	Place of incorporation, operation and kind of legal entity	Principal activities	Measurement method	Issued and fully paid-up capital	2023	2022	Directly held/ Indirectly held
Dong Feng BOCOM Yuan Jing Auto Industry Equity Investment Fund (Wuhan) Partnership Enterprise (Limited Partnership)* 東風交銀轍燮汽車產業股權投資基金(武漢)合夥企業(有限合夥)	Wuhan, Limited Partnership	Investment trading	Equity	RMB576,400,000	37.5%	37.5%	Directly and indirectly
BOCOM Industrial Investment (Hangzhou) Equity Investment Partnership Enterprise (Limited Partnership)* 交銀產投(杭州)股權投資合夥企業(有限合夥)	Hangzhou, Limited Partnership	Investment trading	Equity	RMB180,800,000	51.67%	51.67%	Directly and indirectly
Baise BOCOM Fudi Poverty-relief and Development Fund (Limited Partnership)* 百色交銀福地扶貧開發基金合夥企業(有限合夥)	Baise, Limited Partnership	Investment trading	Equity	2023: RMB271,000,000 2022: RMB301,000,000	0.02%	0.02%	Indirectly
Nanjing BOCOM Suyan & SOHO Equity Investment Partnership Enterprise (Limited Partnership)* 南京交銀蘇鹽蘇豪股權投資合夥企業(有限合夥)	Nanjing, Limited Partnership	Investment trading	Equity	2023: - ¹ 2022: RMB33,300,000	-	40%	Indirectly
Ningbo BOCOM I Equity Investment Limited (Limited Partnership)* 寧波交銀一期股權投資合夥企業(有限合夥)	Ningbo, Limited Partnership	Investment trading	Equity	RMB17,431,300	0.17%	0.17%	Indirectly
Hainan Haicheng Digital Industry Equity Investment Fund (Phase I) Partnership Enterprise (Limited Partnership)* 海南海澄數字產業一期股權投資基金合夥企業(有限合夥)	Hainan, Limited Partnership	Investment trading	Equity	RMB204,000,000	49.02%	49.02%	Directly and indirectly
Wuxi Jiao Yue Ding Jia Technology Equity Investment Partnership Enterprise (Limited Partnership)* 無錫交悅鼎嘉科技股權投資基金合夥企業(有限合夥)	Wuxi, Limited Partnership	Investment trading	Equity	RMB3,000,000	35%	35%	Indirectly
CCT & BOCOMI Strategy Fund SP	Cayman Islands, investment fund	Investment trading	Equity	2023: USD35,259,360 2022: USD35,746,560	45.53%	45.53%	Directly

* The English translation of the names is for reference only. The official name of the entity is in Chinese.

Note:

¹ In June 2023, according to the provisions in the partnership agreement, distribution was made to the partners, resulting in the recovery of their investment principal.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

20. INTEREST IN JOINT VENTURES (continued)

Set out below is the summarised financial information for the significant joint venture of the Group which is accounted for using the equity method:

Dong Feng BOCOM Yuan Jing Auto Industry Equity Investment Fund (Wuhan) Partnership Enterprise (Limited Partnership)

	2023 HK\$'000	2022 HK\$'000
Current assets		
Cash and cash equivalents	32,334	75,327
Other current assets	<u>784,887</u>	<u>707,480</u>
Total current assets	<u>817,221</u>	<u>782,807</u>
Total non-current assets	<u>–</u>	<u>–</u>
Other payables	<u>1,693</u>	<u>10,730</u>
Total current liabilities	<u>1,693</u>	<u>10,730</u>
Total non-current liabilities	<u>–</u>	<u>–</u>
Net assets	<u>815,528</u>	<u>772,077</u>
Reconciled to the Group's interest in the joint venture:		
Group's effective interest	37.5%	37.5%
Group's share of net assets of the joint venture	<u>306,004</u>	<u>289,615</u>
Carrying amount	<u>306,004</u>	<u>289,615</u>
Revenue	<u>–</u>	<u>–</u>
Profit after taxation	<u>55,123</u>	<u>136,682</u>
Reconciled to the Group's share of results of the joint venture:		
Group's effective interest	37.5%	37.5%
Group's share of profit after taxation of the joint venture for the year	<u>20,493</u>	<u>50,406</u>

Notes to the Consolidated Financial Statements (Continued)

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20. INTEREST IN JOINT VENTURES (continued)

BOCOM Industrial Investment (Hangzhou) Equity Investment Partnership Enterprise (Limited Partnership)

	2023 HK\$'000	2022 HK\$'000
Current assets		
Cash and cash equivalents	55,816	59,855
Other current assets	77,705	77,487
Total current assets	<u>133,521</u>	<u>137,342</u>
Total non-current assets	<u>56,448</u>	<u>58,617</u>
Other payables	32	97
Total current liabilities	<u>32</u>	<u>97</u>
Total non-current liabilities	<u>–</u>	<u>–</u>
Net assets	<u>189,937</u>	<u>195,862</u>
Reconciled to the Group's interest in the joint venture:		
Group's effective interest	51.67%	51.67%
Group's share of net assets of the joint venture	<u>98,541</u>	<u>101,614</u>
Carrying amount	<u>98,541</u>	<u>101,614</u>
Revenue	<u>–</u>	<u>–</u>
Loss after taxation	<u>(2,964)</u>	<u>(4,232)</u>
Reconciled to the Group's share of results of the joint venture:		
Group's effective interest	51.67%	51.67%
Group's share of loss after taxation of the joint venture for the year	<u>(1,516)</u>	<u>(2,180)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

20. INTEREST IN JOINT VENTURES (continued)

Hainan Haicheng Digital Industry Equity Investment Fund (Phase I) Partnership Enterprise (Limited Partnership)

	2023 HK\$'000	2022 HK\$'000
Current assets		
Cash and cash equivalents	173,776	225,354
Other current assets	47,068	–
Total current assets	<u>220,844</u>	<u>225,354</u>
Total non-current assets	–	–
Other payables	56	57
Total current liabilities	<u>56</u>	<u>57</u>
Total non-current liabilities	–	–
Net assets	<u>220,788</u>	<u>225,297</u>
Reconciled to the Group's interest in the joint venture:		
Group's effective interest	49.02%	49.02%
Group's share of net assets of the joint venture	<u>108,229</u>	<u>110,454</u>
Carrying amount	<u>108,229</u>	<u>110,454</u>
Revenue	–	–
Loss after taxation	<u>(1,104)</u>	<u>(1,429)</u>
Reconciled to the Group's share of results of the joint venture:		
Group's effective interest	49.02%	49.02%
Group's share of loss after taxation of the joint venture for the year	<u>(536)</u>	<u>(684)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

20. INTEREST IN JOINT VENTURES (continued)

The following table provides aggregate information of joint ventures that are not individually material to the Group:

	2023 HK\$'000	2022 HK\$'000
Aggregate carrying amounts of individually immaterial joint ventures	<u>3,246</u>	<u>19,596</u>
Aggregate amounts of the Group's share of:		
Profit after taxation	307	1,510
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>307</u>	<u>1,510</u>

21. OTHER ASSETS

	2023 HK\$'000	2022 HK\$'000
Central Clearing and Settlement System – Guarantee Fund	12,210	13,042
Contribution in cash to Compensation Fund of SEHK	150	150
Contribution in cash to the Fidelity Fund of SEHK	150	150
Reserve fund deposits with the Hong Kong Futures Exchange (“HKFE”) Clearing Corporation Limited	1,500	1,500
Reserve fund deposits with the SEHK Options Clearing House Limited (“SEOCH”)	7,355	7,365
Admission fee paid to the Hong Kong Securities Clearing Company Limited	150	150
Stamp duty deposit	<u>500</u>	<u>500</u>
	<u>22,015</u>	<u>22,857</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

22. FINANCIAL ASSETS AND LIABILITIES

The table below summarised the information relating to the fair value hierarchy of financial assets and financial liabilities measured at fair value on a recurring basis.

Financial assets at fair value through other comprehensive income

	At 31 December 2023			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Designated at fair value through other comprehensive income upon initial recognition				
Equity securities	27,100	–	–	27,100
Mandatorily measured at fair value through other comprehensive income				
Debt investments	–	6,760,669	–	6,760,669
	<u>27,100</u>	<u>6,760,669</u>	<u>–</u>	<u>6,787,769</u>
Analysed for reporting purposes:				
Non-current				5,446,414
Current				<u>1,341,355</u>
				<u>6,787,769</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

22. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets at fair value through other comprehensive income (continued)

	At 31 December 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Designated at fair value through other comprehensive income upon initial recognition				
Equity security	3,469	–	–	3,469
Unlisted equity	–	–	6,654	6,654
	<u>3,469</u>	<u>–</u>	<u>6,654</u>	<u>10,123</u>
Mandatorily measured at fair value through other comprehensive income				
Debt investments	–	9,093,037	–	9,093,037
	<u>3,469</u>	<u>9,093,037</u>	<u>6,654</u>	<u>9,103,160</u>
Analysed for reporting purposes:				
Non-current				7,615,906
Current				<u>1,487,254</u>
				<u>9,103,160</u>

Notes to the Consolidated Financial Statements (Continued)

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22. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets at fair value through profit or loss

	At 31 December 2023			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	359,347	786,120	–	1,145,467
Debt investments	3,538	396,810	–	400,348
Preference shares	–	–	489,845	489,845
Club debenture	–	–	1,926	1,926
Unlisted funds	–	–	2,215,708	2,215,708
Structured financial products	–	236,494	–	236,494
Unlisted equities	–	–	1,301,403	1,301,403
	<u>362,885</u>	<u>1,419,424</u>	<u>4,008,882</u>	<u>5,791,191</u>

	At 31 December 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	488,881	1,295,289	–	1,784,170
Debt investments	–	808,078	–	808,078
Preference shares	–	–	703,443	703,443
Club debenture	–	–	1,956	1,956
Funds	22,036	–	–	22,036
Unlisted funds	–	211,598	2,823,807	3,035,405
Structured financial products	–	32,234	–	32,234
Unlisted equities	–	–	1,386,112	1,386,112
	<u>510,917</u>	<u>2,347,199</u>	<u>4,915,318</u>	<u>7,773,434</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

22. FINANCIAL ASSETS AND LIABILITIES (continued)

Derivative financial assets

	At 31 December 2023			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Currency swaps	-	158	-	158
Others	-	20	-	20
	<u>-</u>	<u>178</u>	<u>-</u>	<u>178</u>

	At 31 December 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts	205	-	-	205
Others	-	475	-	475
	<u>205</u>	<u>475</u>	<u>-</u>	<u>680</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

22. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial liabilities at fair value through profit or loss

	At 31 December 2023			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial liabilities to the investors of the funds consolidated	(35,480)	–	(519,000)	(554,480)
Notes payable	–	(764,038)	–	(764,038)
	<u>(35,480)</u>	<u>(764,038)</u>	<u>(519,000)</u>	<u>(1,318,518)</u>
Analysed for reporting purposes:				
Non-current				(519,000)
Current				<u>(799,518)</u>
				<u>(1,318,518)</u>

	At 31 December 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial liabilities to the investors of the funds consolidated	(39,378)	–	(594,165)	(633,543)
Notes payable	–	(1,895,102)	–	(1,895,102)
Structured note payable	–	(15,114)	–	(15,114)
	<u>(39,378)</u>	<u>(1,910,216)</u>	<u>(594,165)</u>	<u>(2,543,759)</u>
Analysed for reporting purposes:				
Non-current				(594,165)
Current				<u>(1,949,594)</u>
				<u>(2,543,759)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

22. FINANCIAL ASSETS AND LIABILITIES (continued)

Derivative financial liabilities

	At 31 December 2023			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Total return swaps	-	(2,023)	-	(2,023)
Others	-	-	(4,381)	(4,381)
	<u>-</u>	<u>(2,023)</u>	<u>(4,381)</u>	<u>(6,404)</u>

	At 31 December 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Total return swaps	-	(2,059)	-	(2,059)
Others	-	-	(3,858)	(3,858)
	<u>-</u>	<u>(2,059)</u>	<u>(3,858)</u>	<u>(5,917)</u>

Details of disclosure for fair value measurement are set out in Note 39.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

23. LOANS AND ADVANCES

	2023 HK\$'000	2022 HK\$'000
Gross loans and advances	1,504,413	2,417,491
Less: impairment allowance	(463,970)	(585,581)
	<u>1,040,443</u>	<u>1,831,910</u>
Net loans and advances:		
Non-current	581,270	608,838
Current	459,173	1,223,072
	<u>1,040,443</u>	<u>1,831,910</u>

The maximum exposure to credit risk at the reporting date is the carrying value of loans and advances above.

24. ACCOUNTS RECEIVABLE

	2023 HK\$'000	2022 HK\$'000
Corporate finance and underwriting business	17,690	15,336
Dealing in securities and futures business		
– Clients	83,001	252,935
– Brokers	162,868	132,799
– Clearing house	217,767	55,011
	463,636	440,745
Less: impairment allowance	(5,392)	(5,390)
	<u>475,934</u>	<u>450,691</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

24. ACCOUNTS RECEIVABLE (continued)

The following is an ageing analysis of accounts receivable based on the date of invoice or contract note at the reporting date:

	2023 HK\$'000	2022 HK\$'000
Current (not past due)	467,894	441,974
Less than 31 days past due	781	21
31 – 60 days past due	–	16
61 – 90 days past due	581	–
Over 90 days past due	12,070	14,070
	13,432	14,107
Less: impairment allowance	(5,392)	(5,390)
	475,934	450,691

Client receivables from securities dealing are receivable on the settlement dates of their respective transactions, normally two or three business days after the respective trade dates.

	2023 HK\$'000	2022 HK\$'000
Total market value of securities pledged as collateral in respect of the overdue accounts receivable – clients	297,542	350,710

Brokers and clearing house receivables are repayable on the settlement dates of their respective trade dates, normally two or three business days after the respective trade dates.

The settlement of the receivables from corporate finance and underwriting business is done based on the completion of each phase of the project.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

25. OTHER RECEIVABLES AND PREPAYMENTS

	2023 HK\$'000	2022 HK\$'000
Other receivables	511,084	972,892
Less: impairment allowance	(69,607)	(80,715)
	441,477	892,177
Prepayments	13,474	21,771
	454,951	913,948

26. MARGIN LOANS TO CUSTOMERS

Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading and are repayable on demand. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group.

	2023 HK\$'000	2022 HK\$'000
Gross margin loans to customers	1,325,618	1,696,781
Less: impairment allowance	(119,176)	(113,181)
Net margin loans to customers	1,206,442	1,583,600

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

26. MARGIN LOANS TO CUSTOMERS (continued)

The Group applies a “three-stage” ECL model to measure ECL for the margin loans to customers.

	2023 HK\$'000	2022 HK\$'000
Margin loans to customers analysed by nature		
Institutions	657,710	718,085
Individuals	548,732	865,515
	<u>1,206,442</u>	<u>1,583,600</u>
Total market value of securities pledged as collateral in respect of margin loans to customers analysed by collateral		
Stocks	3,893,155	4,942,501
Debt securities	37,559	61,001
Others	97,990	–
	<u>4,028,704</u>	<u>5,003,502</u>

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of the margin loan business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

27. AMOUNT(S) DUE FROM THE ULTIMATE HOLDING COMPANY/A FELLOW SUBSIDIARY/RELATED PARTIES

The amounts are unsecured, interest-free and repayable on demand.

28. CASH AND BANK BALANCES

	2023 HK\$'000	2022 HK\$'000
Current and savings accounts	1,255,621	1,785,873
Time deposits with original maturity of three months or less than three months	<u>42,098</u>	<u>–</u>
	1,297,719	1,785,873
Time deposits with original maturity of more than three months	1,719	1,681
Restricted cash	<u>–</u>	<u>2,990</u>
	<u>1,299,438</u>	<u>1,790,544</u>

Bank balances carry interest at market rates

	2023	2022
Interest rates range	<u>0.01%-4.2%</u>	<u>0.01%-4.0%</u>

As at 31 December 2023, bank balances held at the ultimate holding company and a fellow subsidiary were HK\$1,135,188 thousand (31 December 2022: HK\$1,268,898 thousand) and HK\$1,975 thousand (31 December 2022: HK\$1,046 thousand) respectively.

29. OTHER PAYABLES AND ACCRUED EXPENSES

	2023 HK\$'000	2022 HK\$'000
Other payables	152,721	95,687
Accrued expenses	<u>159,598</u>	<u>120,599</u>
	<u>312,319</u>	<u>216,286</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

30. ACCOUNTS PAYABLE

Accounts payable arising from the business of dealing in securities and options are as follows:

	2023 HK\$'000	2022 HK\$'000
Clients – trade settlement	315,505	397,447
Clearing house	387	145,971
Brokers	–	22,027
	<u>315,892</u>	<u>565,445</u>

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of these businesses.

The settlement terms of accounts payable arising from client businesses are normally two or three days after trade date or at specific terms agreed with clients, brokers or clearing house.

31. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Contract liabilities	<u>28,400</u>	<u>26,224</u>

The obligation of the Group to transfer advisory and management and other services to customers according to consideration received was presented as contract liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

31. CONTRACT LIABILITIES (continued)

Movements in contract liabilities

	2023 HK\$'000	2022 HK\$'000
Beginning of the year	26,224	32,807
Decrease in contract liabilities as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(14,821)	(22,250)
Increase in contract liabilities as a result of billing	16,997	15,667
End of the year	28,400	26,224

All contract liabilities are expected to be recognised as income within one year.

32. DEFERRED TAXATION

The analysis of deferred tax balances of the Group is as follows:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	1,005	2,598
Deferred tax liabilities	(12,623)	(14,867)
	(11,618)	(12,269)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

32. DEFERRED TAXATION (continued)

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

	Provision for staff costs HK\$'000	Accrued expenses HK\$'000	Tax loss HK\$'000	Allowance for impairment loss HK\$'000	Accelerated tax depreciation HK\$'000	Unrealised trading profit HK\$'000	Leases HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2022	-	-	26,248	10,054	1,994	(33,835)	403	(1,333)	3,531
Credited/(charged) to consolidated income statement	1,326	(244)	(26,248)	(7,698)	(14,510)	32,075	(1,534)	1,333	(15,500)
Exchange difference arising from translation of foreign operations	32	(5)	-	-	(300)	-	(27)	-	(300)
At 31 December 2022	1,358	(249)	-	2,356	(12,816)	(1,760)	(1,158)	-	(12,269)
Credited/(charged) to consolidated income statement	(1,395)	6,687	4,511	(2,355)	1,931	(10,198)	1,788	-	969
Exchange difference arising from translation of foreign operations	37	(272)	(204)	-	114	63	(56)	-	(318)
At 31 December 2023	-	6,166	4,307	1	(10,771)	(11,895)	574	-	(11,618)

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets recognised mainly relate to tax losses carried forward in Hong Kong and PRC entities.

At the end of the reporting period, the Group had estimated unrecognised tax losses of HK\$5,305,638 thousand (2022: HK\$2,851,078 thousand) available to offset against future profits. The deductible temporary difference and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profits available for the utilisation of these temporary differences. The unrecognised tax losses included a sum of HK\$236,079 thousand that will expire in 5 years (2022: HK\$192,669 thousand will expire in 5 years).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

33. SHARE CAPITAL

	Number of shares		Share capital	
	2023 Thousand Shares	2022 Thousand Shares	2023 HK\$'000	2022 HK\$'000
Issued and fully paid				
At the end of the reporting period	<u>2,734,392</u>	<u>2,734,392</u>	<u>3,942,216</u>	<u>3,942,216</u>

34. BORROWINGS

(a) Outstanding borrowings

	2023 HK\$'000	2022 HK\$'000
Bank loans and other borrowings		
Current – ultimate holding company (Note 36)	919,464	1,667,100
Current – authorised institutions	3,561,800	6,012,701
	<u>4,481,264</u>	<u>7,679,801</u>
Obligation under repurchase agreements		
Non-current	3,864,288	1,681,011
Current	912,197	4,073,031
	<u>4,776,485</u>	<u>5,754,042</u>
Subordinated loans (Note 36)		
Non-current	1,000,000	1,000,000
Total	<u>10,257,749</u>	<u>14,433,843</u>

As at 31 December 2023, the carrying amount included within financial assets sold under repurchase agreements was HK\$5,757,364 thousand (31 December 2022: HK\$6,750,426 thousand).

Notes to the Consolidated Financial Statements (Continued)

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34. BORROWINGS (continued)

(b) Borrowings repayable

	2023 HK\$'000	2022 HK\$'000
Bank loans and other borrowings		
Within 1 year	5,393,461	11,752,832
Between 1 and 2 years	1,582,602	169,771
Between 2 and 5 years	1,682,736	1,099,752
Over 5 years	598,950	411,488
	9,257,749	13,433,843
Undated	1,000,000	1,000,000
	10,257,749	14,433,843

As at 31 December 2023 and 31 December 2022, all bank borrowings were unsecured. Bank borrowings at 31 December 2023 were charged at floating interest rate ranging from base point plus 0.5% to 0.8% per annum.

35. DEBT SECURITIES ISSUED

	2023 HK\$'000	2022 HK\$'000
Debt securities issued	3,891,207	3,881,848

The outstanding balance of HK\$3,891,207 thousand (31 December 2022: HK\$3,881,848 thousand) measured at amortised cost represents the amount of unsecured notes issued by a wholly owned subsidiary of the Company under the US\$500 million medium term note programme. As at 31 December 2023, the debt securities issued bore fixed interest rate of 1.75% per annum (31 December 2022: 1.75% per annum). The notes will mature on 28 June 2026. Among which, debt securities of US\$10 million and US\$28 million (31 December 2022: US\$10 million and US\$28 million) were held by the ultimate holding company and a fellow subsidiary respectively. The carrying amount of the debt securities issued approximate to their fair value.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

36. RELATED PARTY TRANSACTIONS

Details of the Company's subsidiaries, associates and joint ventures are disclosed in Note 18, 19 and 20. In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following transactions with related parties:

(a) Ultimate holding company

	2023 HK\$'000	2022 HK\$'000
Transaction		
Interest income from deposits*	16,722	20,058
Finance costs	106,954	44,947
Computer software development and maintenance service income*	116,873	99,310
Information system consultancy service income*	866	7,560
Commission expenses*	874	1,649
Asset management and advisory fee*	2,832	2,755
Fund management fee income*	6,395	16,489
Underwriting fee income*	16	86
Rental expenses	4,194	4,594
Other operating expenses*	706	895
Other operating expenses	1,690	1,389
Trading loss from derivative transactions*	–	8,065

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

36. RELATED PARTY TRANSACTIONS (continued)

(a) Ultimate holding company (continued)

	2023 HK\$'000	2022 HK\$'000
Balance of transaction		
Right-of-use assets*	7,663	10,544
Amount due from the ultimate holding company	78,874	77,083
Other receivables	632	642
Borrowings	919,464	1,667,100
Subordinated loans	<u>1,000,000</u>	<u>1,000,000</u>

(b) Fellow subsidiaries, associates and joint ventures

	2023 HK\$'000	2022 HK\$'000
Transaction		
Interest income from deposits*	113	44
Finance costs	4,527	4,504
Commission income*	4,572	6,651
Commission expenses*	1,917	2,007
Asset management and advisory fee	14,597	12,935
Underwriting fee income*	–	111
Rental expenses	27,531	45,007
Other operating expenses*	2,120	1,414
Other operating expenses	9	36
Other income	–	3,651

	2023 HK\$'000	2022 HK\$'000
Balance of transaction		
Right-of-use assets*	57,550	85,185
Accounts receivable	–	39,065
Other receivables	8,884	13,716
Accounts payable	134,178	–
Amount due from a fellow subsidiary	<u>2</u>	<u>24</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

36. RELATED PARTY TRANSACTIONS (continued)

(c) Related parties

	2023 HK\$'000	2022 HK\$'000
Transaction		
Fund management fee income	<u>(18)</u>	<u>75</u>
Balance of transaction		
Gross amounts due from related parties	185	236
Less: impairment allowance	<u>—</u>	<u>—</u>
	<u>185</u>	<u>236</u>

* The transaction also constituted connected transactions or continuing connected transactions. The details are disclosed under the Report of the Directors section.

Notes

(i) Interest income from deposits

In the ordinary course of business, the Group placed its cash and cash equivalents and client monies with Bank of Communications Co., Ltd., Hong Kong Branch, Macau Branch and PRC Branches, as well as a fellow subsidiary.

(ii) Finance costs

In the ordinary course of business, the Group obtained subordinated loans and bank loans from its ultimate holding company, Bank of Communications Co., Ltd., Hong Kong Branch, to finance its margin financing activities and daily operations. The above bank borrowings were entered at the relevant market rates at the time of the transactions.

A portion of debt securities issued by the Group were held by the ultimate holding company as well as a fellow subsidiary.

(iii) Commission income

The commission income represented brokerage commission gained from a fellow subsidiary. Commission income was derived from the Group's securities brokerage business and determined on terms similar to those transactions conducted with independent third parties.

(iv) Commission expenses

The commission expenses represented rebate of brokerage commission income to the ultimate holding company and fellow subsidiaries in respect of the securities brokerage transactions. The rates were mutually agreed by the ultimate holding company/fellow subsidiaries and the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

36. RELATED PARTY TRANSACTIONS (continued)

Notes (continued)

(v) Asset management and advisory income

The Group has agreements with its ultimate holding company, associates and joint ventures under which the Group provides asset management and investment advisory services in return for asset management and advisory fee. The ultimate holding company has also appointed a subsidiary of the Group to provide asset management service to its clients.

(vi) Fund management fee income

The Group has agreements with its related parties and the ultimate holding company under which the Group provides asset management and investment advisory services, in return for management fee income.

(vii) Underwriting fee income

Underwriting fee income represented underwriting services provided to the ultimate holding company and a fellow subsidiary in relation to notes issuance.

(viii) Borrowings

A portion of the bank loan was obtained from the ultimate holding company, that are unsecured and bear floating interest. Details of the bank loan are stated in Note 34(a).

(ix) Subordinated loans

The subordinated loans from the ultimate holding company are unsecured, bear floating interest and undated. The loan arrangements are under regulatory condition. Details of the subordinated loans are stated in Note 34(a).

(x) Rental expenses

The office and carpark rental expenses paid to the ultimate holding company and fellow subsidiaries were agreed by the ultimate holding company, fellow subsidiaries and the Group.

(xi) Other operating expenses

The other operating expenses paid to the ultimate holding company and fellow subsidiaries mainly included system usage fee, bank charges, custody fee, professional fee, printing and stationery, insurance and management fee expense.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

36. RELATED PARTY TRANSACTIONS (continued)

Notes (continued)

(xii) Other income

Other income represented refund from lease termination and insurance claim from a fellow subsidiary.

(xiii) Computer software development and maintenance service income

The income was derived from the Group's computer software development information system operation and maintenance services and information system integration services provided to the ultimate holding company.

(xiv) Information system consultancy service income

The income was derived from the Group's information system consultancy service provided to the ultimate holding company.

(xv) Accounts receivable and accounts payable

They were balances due from/to a fellow subsidiary in the Group's ordinary course of business.

(xvi) Other receivables

They were rental deposit for properties leased from the ultimate holding company and a fellow subsidiary and balances due from associates and joint ventures.

(xvii) Amount(s) due from the ultimate holding company/a fellow subsidiary/related parties

The amounts are unsecured, interest-free and repayable on demand and are of trade nature.

(d) Key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9, and other senior executives, is as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other short-term employee benefits	12,001	14,391
Termination benefits	–	–
Post-employment benefits	–	–
Other long-term benefits	–	1,263
Share-based payments	–	–
	<u>12,001</u>	<u>15,654</u>

For details of the key management personnel of the Group in 2023, please refer to the section headed "Biographies of Directors and Senior Management" of this annual report.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

37. STRUCTURED ENTITIES

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

(a) Unconsolidated structured entities

The Group has been involved in unconsolidated structured entities through investments in structured entities or acting as the investment manager of the structured entities. The unconsolidated structured entities consist primarily of special purpose vehicles ("SPV") for investment trading on asset management business. The SPVs invest in a range of assets, most typically are bonds, unit trusts and preference shares. As the manager of the structured entities, the Group invests, on behalf of its clients, in the assets as described in the investment plan related to each fund and receives management fee income. The Group's remuneration as investment manager is limited to management fees and performance fees at market level and does not share significant variable returns of the investment. The Group records trading gains or losses from its investment in the structured entities. These structured entities are not consolidated by the Group.

Interests in unconsolidated structured entities and maximum exposure to unconsolidated structured entities

As at 31 December 2023 and 2022, the Group's total interests in unconsolidated structured entities on the consolidated statement of financial position and maximum exposure to loss from its interests in unconsolidated structured entities are summarised in the table below:

	2023 HK\$'000	2022 HK\$'000
Maximum exposure to loss	<u>498,787</u>	<u>2,489,079</u>

The Group has entered into an asset management service agreement with a client which provides a minimum return guarantee on the principal amounts on a cumulative basis throughout the life of the service contracts. In addition to an asset management fee at a fixed rate based on the capital amount, the Group is also entitled to a performance fee if the returns, on a cumulative basis, are above certain level. The maximum exposure to loss of the service contracts is the aggregate amount of principal and guarantee return of HK\$498,787 thousand (2022: HK\$2,489,079 thousand).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

37. STRUCTURED ENTITIES (continued)

(a) Unconsolidated structured entities (continued)

Size of unconsolidated structured entities

The size of structured entities is measured by the fair value of investments managed by the unconsolidated structured entities. As at 31 December 2023 and 2022, the fair value of investments managed by the unconsolidated structured entities is summarised in the table below:

	2023 HK\$'000	2022 HK\$'000
Fair value of investments managed by the unconsolidated structured entities	<u>10,472,232</u>	<u>13,298,374</u>

Transactions with unconsolidated structured entities

For the years ended 31 December 2023 and 2022, the Group earned management fee for its investment management service in relation to funds that were not consolidated to the Group. Interest income is recognised on the loans provided to structured entities and interest earned on holding the senior notes issued by structured entities. The total income derived from involvement with unconsolidated structured entities is summarised in the table below:

	2023 HK\$'000	2022 HK\$'000
Management fee income	<u>10,657</u>	<u>22,361</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

37. STRUCTURED ENTITIES (continued)

(b) Consolidated structured entities managed and held by the Group

The Group has consolidated certain structured entities which are investment funds. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. Factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. The Group concludes that these structured entities shall be consolidated.

The size of consolidated structured entities is measured by the fair value of investments of consolidated structured entities. As at 31 December 2023 and 2022, the fair value of investments of consolidated structured entities is summarised in the table below:

	2023 HK\$'000	2022 HK\$'000
Fair value of investments managed by the consolidated structured entities	<u>315,136</u>	<u>396,802</u>

The financial impact of any individual fund on the Group's financial performance is not significant.

During the years ended 31 December 2023 and 2022, the Group did not provide financial support for any of the consolidated structured entities.

There were no contractual liquidity arrangements or other commitments between the Group, structured entities or any third parties that could increase the level of the Group's risk from or reduce its interest in structured entities during the years ended 31 December 2023 and 2022. No loss was incurred by the structured entities relating to the Group's interests in the structured entities, and the structured entities did not experience difficulty in financing their activities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

38. COMMITMENTS

Operating leases commitments

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2023 HK\$'000	2022 HK\$'000
No later than 1 year	<u>127</u>	<u>234</u>

Investment commitments

At the end of the reporting period, the Group had certain investment commitments contracted for at the end of the reporting period but not yet incurred. The amounts will be drawn down on as-needed basis. The table below provides further information regarding the commitments.

	2023 HK\$'000	2022 HK\$'000
Unfunded commitments	<u>327,545</u>	<u>351,816</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Group's major financial instruments include financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss, derivative financial assets and derivative financial liabilities, other assets, accounts and other receivables, loans and advances, margin loans to customers, amounts due from the ultimate holding company, a fellow subsidiary and related parties, cash and bank balances, accounts and other payable, borrowings, obligation under repurchase agreements, debt securities issued, lease liabilities, and subordinated loans from the ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group, from time to time, uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates certain risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Apart from the above, in order to effectively manage its credit risk exposure, the Group has also adopted the following measures in order to effectively manage its credit risks:

- the Group conducts its loan business in accordance with the annual capital allocated to such business and the risk appetite thresholds;
- the relevant department carries out due diligence on the potential client, including conducting a company search at the registrar as well as litigation and bankruptcy searches, and also conducts due diligence on the potential client's affiliates, guarantors, substantial shareholders and senior management, as applicable;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

- the relevant business department prepares an internal memorandum for internal review and assessment, which includes primarily an executive summary of the new projects, background, description of the potential clients (including, among others, shareholders, senior management, corporate structure, business, financial conditions, industry analysis, market position, prospects), deal structure, use of funds, transaction terms, investment highlights, risk analysis, return analysis, exit plans, due diligence report and follow up actions;
- the Group conducts preliminary review and official review on the potential clients. Only those clients selected out of the preliminary review will be submitted for official review;
- during the preliminary review, the risk management department will review the internal memorandum from a risk management perspective, focusing on whether all the key aspects of an investment or loan project have been properly addressed and whether the information so provided in the internal memorandum is reasonable to address the key risks involved; and the legal and compliance department will review the internal memorandum from a legal and compliance perspective, focusing on the conflict of interests check, proposed legal terms of the transaction and overall legal compliance matters. The two departments may request further information from the relevant business department;
- during the official review, subject to the delegated authorities, the senior management or investment committee of the Company will further review the internal memorandum, which has been reviewed and agreed by the risk management department and the legal and compliance department, and convene a review meeting with the relevant business department in charge of the potential clients. At the review meeting, the relevant business department will introduce the potential client and our senior management or investment committee (as the case may be) will raise questions and recommendations, leveraging the committee members' respective experiences and expertise, in order to make well considered and comprehensive investment or lending decisions;
- if any post-approval material changes occur to the clients or its board of directors, transaction amount, guarantor, collateral, valuation, legality of relevant legal documents or other factors that affect the Group's interests, as applicable, supplemental reports explaining the changes and their effect are required to be submitted to the senior management or the investment committee (as the case may be) for review;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

- the Group continually monitors all ongoing clients from off-site and obtain from time to time information about any changes in the clients' composition of senior management, industry trends, business operations and financial condition, especially cash flow status, and verify such information with the relevant clients via phone calls or emails;
- the relevant business department will communicate any material risk events to the heads of the relevant departments, and submit examination reports to the senior management and the risk management committee for advice on further risk management actions and start collection or exiting processes; and
- the relevant business departments and functional departments will together closely monitor the financial covenants and track the maturity of the respective loans during the post-investment period. If any event of default occurs, corresponding steps will be taken in accordance with the relevant facility agreement. In cases where the client fails to pay on time, the situation will be timely reported to the senior management and the business department will negotiate with the client to reach a repayment or restructuring plan and legal actions may be taken, if necessary.

(a) **Market risk**

Market risk refers to the adverse effect that normal or specific changes in foreign exchange rates, interest rates, commodity prices or stock prices may have on products involving interest rates, currencies and stocks. The Group's market risk mainly includes currency risk, interest rate risk and other price risk. The market risk management aims to manage and monitor market risk, keep the potential losses associated with market risk within an acceptable level and maximise the returns.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Summary of financial assets and liabilities

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Other assets	22,015	22,857
Loans and advances	1,040,443	1,831,910
Accounts receivable	475,934	450,691
Other receivables	441,477	892,177
Margin loans to customers	1,206,442	1,583,600
Amount due from the ultimate holding company	78,874	77,083
Amount due from a fellow subsidiary	2	24
Amounts due from related parties	185	236
Financial assets at fair value through other comprehensive income	6,787,769	9,103,160
Financial assets at fair value through profit or loss	5,791,191	7,773,434
Derivative financial assets	178	680
Cash and bank balances	1,299,438	1,790,544
	17,143,948	23,526,396
Financial liabilities		
Borrowings	4,481,264	7,679,801
Subordinated loans from the ultimate holding company	1,000,000	1,000,000
Obligation under repurchase agreements	4,776,485	5,754,042
Other payables	152,721	95,687
Accounts payable	315,892	565,445
Lease liabilities	145,165	173,455
Debt securities issued	3,891,207	3,881,848
Financial liabilities at fair value through profit or loss	1,318,518	2,543,759
Derivative financial liabilities	6,404	5,917
	16,087,656	21,699,954

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group undertakes certain transactions denominated in foreign currencies; hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's major foreign currency denominated monetary assets and monetary liabilities at year end is as follows:

	As at 31 December 2023				Total HK\$'000
	HKD HK\$'000	USD (in HKD equivalent) HK\$'000	RMB (in HKD equivalent) HK\$'000	Other foreign currencies (in HKD equivalent) HK\$'000	
Financial assets					
Other assets	21,263	–	752	–	22,015
Loans and advances	131,352	389,380	519,711	–	1,040,443
Accounts receivable	299,001	162,761	5,990	8,182	475,934
Other receivables	32,614	375,601	33,262	–	441,477
Margin loans to customers	1,134,338	72,104	–	–	1,206,442
Amount due from the ultimate holding company	(2,808)	269	81,413	–	78,874
Amount due from a fellow subsidiary	2	–	–	–	2
Amounts due from related parties	–	185	–	–	185
Financial assets at fair value through other comprehensive income	258	6,760,669	26,842	–	6,787,769
Financial assets at fair value through profit or loss	505,690	3,516,522	1,733,234	35,745	5,791,191
Derivative financial assets	–	–	178	–	178
Cash and bank balances	103,953	242,245	946,884	6,356	1,299,438
Total financial assets	2,225,663	11,519,736	3,348,266	50,283	17,143,948
Financial liabilities					
Borrowings	1,210,000	1,629,364	1,641,900	–	4,481,264
Subordinated loans from the ultimate holding company	1,000,000	–	–	–	1,000,000
Obligation under repurchase agreements	–	4,776,485	–	–	4,776,485
Other payables	15,359	124,058	13,304	–	152,721
Accounts payable	231,643	68,114	8,908	7,227	315,892
Lease liabilities	47,334	–	97,831	–	145,165
Debt securities issued	–	3,891,207	–	–	3,891,207
Financial liabilities at fair value through profit or loss	29,306	764,657	524,555	–	1,318,518
Derivative financial liabilities	–	6,069	335	–	6,404
Total financial liabilities	2,533,642	11,259,954	2,286,833	7,227	16,087,656
Net on-balance sheet position	(307,979)	259,782	1,061,433	43,056	1,056,292

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

	As at 31 December 2022				Total HK\$'000
	HKD HK\$'000	USD (in HKD equivalent) HK\$'000	RMB (in HKD equivalent) HK\$'000	Other foreign currencies (in HKD equivalent) HK\$'000	
Financial assets					
Other assets	22,067	–	790	–	22,857
Loans and advances	131,352	1,172,882	527,676	–	1,831,910
Accounts receivable	170,347	267,069	10,376	2,899	450,691
Other receivables	18,474	800,274	73,429	–	892,177
Margin loans to customers	1,487,830	95,620	–	150	1,583,600
Amount due from the ultimate holding company	(5,334)	269	82,148	–	77,083
Amount due from a fellow subsidiary	24	–	–	–	24
Amounts due from related parties	236	–	–	–	236
Financial assets at fair value through other comprehensive income	243,469	8,853,038	6,653	–	9,103,160
Financial assets at fair value through profit or loss	399,395	5,778,491	1,572,970	22,578	7,773,434
Derivative financial assets	475	205	–	–	680
Cash and bank balances	503,568	332,319	947,187	7,470	1,790,544
Total financial assets	2,971,903	17,300,167	3,221,229	33,097	23,526,396
Financial liabilities					
Borrowings	1,160,000	4,852,701	1,667,100	–	7,679,801
Subordinated loans from the ultimate holding company	1,000,000	–	–	–	1,000,000
Obligation under repurchase agreements	3,950,786	1,803,256	–	–	5,754,042
Other payables	11,668	78,855	5,164	–	95,687
Accounts payable	230,473	324,008	9,675	1,289	565,445
Lease liabilities	57,865	–	115,590	–	173,455
Debt securities issued	–	3,881,848	–	–	3,881,848
Financial liabilities at fair value through profit or loss	37,325	1,905,352	601,082	–	2,543,759
Derivative financial liabilities	–	5,628	289	–	5,917
Total financial liabilities	6,448,117	12,851,648	2,398,900	1,289	21,699,954
Net on-balance sheet position	(3,476,214)	4,448,519	822,329	31,808	1,826,442

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Currency risk refers to the risk that the Group's financial position with respect to foreign currency exposure will be affected as a result of fluctuations in major foreign exchange rates. The Group's currency risk exposures are mainly in respect of Renminbi and United States dollar currently. The Directors consider that the exchange rate of Hong Kong dollar against United States dollar is relatively stable under the current pegged rate system in Hong Kong. The other foreign currencies are not material compared to the total assets and liabilities of the Group. In the opinion of the directors, the Group is not subject to significant currency risk exposure.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% change in Hong Kong dollar against the relevant foreign currencies. The 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 10% change in foreign currency rate. The number shown below indicates an increase in profit where Hong Kong dollar weakens against the relevant currency. For a 10% strengthening of Hong Kong dollar against the relevant currency, there would be an equal and opposite impact on the profit.

Impact on profit after taxation

	2023 HK\$'000	2022 HK\$'000
RMB	88,630	68,664
Other foreign currencies	3,595	2,656

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

As at 31 December 2023	Overdue HK\$'000	Within 1 month HK\$'000	1 month but less than 3 months HK\$'000	3 months but less than 1 year HK\$'000	1 year but less than 5 years HK\$'000	5 years or above HK\$'000	Non- interest bearing HK\$'000	Total HK\$'000
Financial assets								
Other assets	-	-	-	-	-	-	22,015	22,015
Loans and advances	404,702	-	-	-	601,577	34,164	-	1,040,443
Accounts receivable	4	463,628	-	-	-	-	12,302	475,934
Other receivables	-	-	-	-	-	-	441,477	441,477
Margin loans to customers	-	1,206,442	-	-	-	-	-	1,206,442
Amount due from the ultimate holding company	-	-	-	-	-	-	78,874	78,874
Amount due from a fellow subsidiary	-	-	-	-	-	-	2	2
Amounts due from related parties	-	-	-	-	-	-	185	185
Financial assets at fair value through other comprehensive income	81,889	-	14,311	1,264,315	4,693,078	734,176	-	6,787,769
Financial assets at fair value through profit or loss	13,952	3,894	7,740	39,681	306,607	580,836	4,838,481	5,791,191
Derivative financial assets	-	-	-	-	-	-	178	178
Cash and bank balances	-	1,255,621	42,098	1,719	-	-	-	1,299,438
	<u>500,547</u>	<u>2,929,585</u>	<u>64,149</u>	<u>1,305,715</u>	<u>5,601,262</u>	<u>1,349,176</u>	<u>5,393,514</u>	<u>17,143,948</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2023	Overdue	1 month but Within 1 month	1 month but less than 3 months	3 months but less than 1 year	1 year but less than 5 years	5 years or above	Non- interest bearing	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities								
Borrowings	-	3,988,694	492,570	-	-	-	-	4,481,264
Subordinated loans from the ultimate holding company	-	1,000,000	-	-	-	-	-	1,000,000
Obligation under repurchase agreements	-	4,776,485	-	-	-	-	-	4,776,485
Other payables	-	-	-	-	-	-	152,721	152,721
Accounts payable	-	-	-	-	-	-	315,892	315,892
Lease liabilities	-	6,058	12,451	51,486	75,170	-	-	145,165
Debt securities issued	-	-	-	379	3,890,828	-	-	3,891,207
Financial liabilities at fair value through profit or loss	-	359,478	-	404,559	-	-	554,481	1,318,518
Derivative financial liabilities	-	-	-	-	-	-	6,404	6,404
	-	10,130,715	505,021	456,424	3,965,998	-	1,029,498	16,087,656
Interest rate sensitivity gap	500,547	(7,201,130)	(440,872)	849,291	1,635,264	1,349,176	4,364,016	1,056,292

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2022	Overdue	1 month but Within 1 month	1 month but less than 3 months	3 months but less than 1 year	1 year but less than 5 years	5 years or above	Non- interest bearing	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets								
Other assets	-	-	-	-	-	-	22,857	22,857
Loans and advances	444,913	-	515,739	262,420	608,838	-	-	1,831,910
Accounts receivable	22	440,718	-	-	-	-	9,951	450,691
Other receivables	-	-	-	-	-	-	892,177	892,177
Margin loans to customers	-	1,583,600	-	-	-	-	-	1,583,600
Amount due from the ultimate holding company	-	-	-	-	-	-	77,083	77,083
Amount due from a fellow subsidiary	-	-	-	-	-	-	24	24
Amounts due from related parties	-	-	-	-	-	-	236	236
Financial assets at fair value through other comprehensive income	158,944	23,290	385,290	919,730	6,901,409	714,497	-	9,103,160
Financial assets at fair value through profit or loss	8,646	177,159	-	165,773	419,580	1,329,478	5,672,798	7,773,434
Derivative financial assets	-	-	-	-	-	-	680	680
Cash and bank balances	-	1,788,863	-	1,681	-	-	-	1,790,544
	<u>612,525</u>	<u>4,013,630</u>	<u>901,029</u>	<u>1,349,604</u>	<u>7,929,827</u>	<u>2,043,975</u>	<u>6,675,806</u>	<u>23,526,396</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2022	Overdue	1 month but Within 1 month	1 month but less than 3 months	3 months but less than 1 year	1 year but less than 5 years	5 years or above	Non- interest bearing	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities								
Borrowings	-	5,779,211	-	1,900,590	-	-	-	7,679,801
Subordinated loans from the ultimate holding company	-	1,000,000	-	-	-	-	-	1,000,000
Obligation under repurchase agreements	-	5,754,042	-	-	-	-	-	5,754,042
Other payables	-	-	-	-	-	-	95,687	95,687
Accounts payable	-	-	-	-	-	-	565,445	565,445
Lease liabilities	-	5,855	12,777	54,548	100,275	-	-	173,455
Debt securities issued	-	-	-	378	3,881,470	-	-	3,881,848
Financial liabilities at fair value through profit or loss	-	-	-	112,152	1,782,950	-	648,657	2,543,759
Derivative financial liabilities	-	-	-	-	-	-	5,917	5,917
	-	12,539,108	12,777	2,067,668	5,764,695	-	1,315,706	21,699,954
Interest rate sensitivity gap	612,525	(8,525,478)	888,252	(718,064)	2,165,132	2,043,975	5,360,100	1,826,442

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to the "margin loans to customers", "cash and bank balances", "borrowings" and "subordinated loans from the ultimate holding company" as well as interest-bearing "accounts receivable", "obligation under repurchase agreements" and "loans and advances" carried at amortised costs with floating interest rates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

Cash flow interest rate risk (continued)

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR"), Chinese Yuan Hong Kong Interbank Offered Rate ("CNH HIBOR") and reference rate applicable to United States dollar as its interest-bearing assets and liabilities are mainly Hong Kong dollar, Chinese Yuan and United States dollar denominated. The Group mainly manages interest rate risk through adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risk by diversification of assets.

	2023 HK\$'000	2022 HK\$'000
Assets		
Accounts receivable – dealing in securities and futures	463,636	440,745
Margin loans to customers	1,206,442	1,583,600
Loans and advances	1,040,443	1,831,910
Cash and bank balances	1,299,438	1,790,544
Liabilities		
Borrowings	(4,481,264)	(7,679,801)
Subordinated loans from the ultimate holding company	(1,000,000)	(1,000,000)
Obligation under repurchase agreements	(4,776,485)	(5,754,042)
	<u>(6,247,790)</u>	<u>(8,787,044)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at year end.

Change in basis points

	31 December			
	2023		2022	
	+25 HK\$'000	-25 HK\$'000	+25 HK\$'000	-25 HK\$'000
Impact on profit after taxation	(13,042)	13,042	(18,343)	18,343

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to investments in debt securities classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss carried at fixed interest rate. The Group monitors the interest rate risks by quantifying market exposure in duration terms.

The Group's fair value interest rate risk exposure is summarised as follows:

	2023 HK\$'000	2022 HK\$'000
Financial assets at fair value through other comprehensive income – debt investments	6,760,669	9,093,037
Financial assets at fair value through profit or loss - debt investments	400,348	808,078
Financial liabilities at fair value through profit or loss – notes payable	(402,192)	(949,704)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit and equity for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period.

Change in basis points

	31 December			
	2023		2022	
	+25	-25	+25	-25
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on profit after taxation	(2,173)	2,185	(7,416)	7,468
Impact on equity	(27,009)	27,179	(45,805)	46,168

(iv) Other price risk

The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through other comprehensive income, and at fair value through profit or loss. The Directors manage the exposure by closely monitoring the portfolio of investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10 percent change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

Profit after taxation for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as fair value through other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iv) Other price risk (continued)

Financial assets at fair value through other comprehensive income

	2023 HK\$'000	2022 HK\$'000
Equity securities	27,100	3,469
Unlisted equity	–	6,654
	<u>27,100</u>	<u>10,123</u>
Impact on equity		
Increases by 10%	2,710	1,012
Decreases by 10%	(2,710)	(1,012)

Financial assets at fair value through profit or loss

	2023 HK\$'000	2022 HK\$'000
Equity securities	1,145,467	1,784,170
Preference shares	489,845	703,443
Funds	–	22,036
Unlisted funds	2,215,708	3,035,405
Unlisted equities	1,301,403	1,386,112
	<u>5,152,423</u>	<u>6,931,166</u>
Impact on profit after taxation		
Increases by 10%	430,227	578,752
Decreases by 10%	(430,227)	(578,752)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iv) Other price risk (continued)

Derivative financial assets

	2023 HK\$'000	2022 HK\$'000
Futures contracts	–	205
Currency swaps	158	–
Others	20	475
	<u>178</u>	<u>680</u>
Impact on profit after taxation		
Increases by 10%	15	57
Decreases by 10%	(15)	(57)

Financial liabilities at fair value through profit or loss

	2023 HK\$'000	2022 HK\$'000
Financial liabilities to the investors of the funds consolidated	(554,480)	(633,543)
Notes payable	(361,846)	(945,398)
Structured note payable	–	(15,114)
	<u>(916,326)</u>	<u>(1,594,055)</u>
Impact on profit after taxation		
Increases by 10%	(76,513)	(133,104)
Decreases by 10%	76,513	133,104

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(a) Market risk (continued)

(iv) Other price risk (continued)

Derivative financial liabilities

	2023 HK\$'000	2022 HK\$'000
Total return swaps	(2,023)	(2,059)
Others	(4,381)	(3,858)
	<u>(6,404)</u>	<u>(5,917)</u>
Impact on profit after taxation		
Increases by 10%	(535)	(494)
Decreases by 10%	535	494

(b) Credit risk

The Group's credit risk arises from the possibility that a client or counterparty in a transaction may default. Credit exposures arise principally in other assets, loans and advances, accounts receivable, other receivables, margin loans to customers, amount(s) due from the ultimate holding company/a fellow subsidiary/related parties, debt securities carried at fair value through other comprehensive income and at fair value through profit or loss, derivative financial assets, and cash and bank balances. In order to minimise the credit risk, the Group has credit policies in place and the exposure to this risk is monitored on an ongoing basis. The Group employs a range of policies and practices to mitigate credit risk.

The Credit Committee is mainly in charge of the risk management of the securities brokerage and margin financing business and the implementation of the credit risk policies. The primary responsibilities of the Credit Committee include: (i) monitoring the risk management performance with reference to the various risk indicators, such as the loan-to-margin ratio and loan-to-value ratio, the percentage of margin loans attributable to the Group's top 20 customers by loan balance, and margin loan balance attributable to a single client; (ii) maintaining a list of shares qualified as collateral for the margin financing business and reviewing such list periodically; (iii) approving customers' applications on trading limit and credit limit; and (iv) developing risk management policies for transactions of cash accounts and institutional clients as well as settlement arrangements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Risk Management Committee is primarily responsible for designing the risk management structure and strategies for the principal businesses, reviewing and monitoring the implementation of risk management policies for the principal businesses, identifying risks and updating the risk management policies in response to changes. The Credit Risk Team of the Risk Management Department is responsible for the credit risk management of the securities brokerage and margin financing business, participating in the review process and supervising the relevant risk management work.

The Group seeks to control the credit risk exposure within the tolerance level and maximise the risk adjusted returns by identifying, quantifying, monitoring and managing credit risk based on the risk preference and net capital level. The Group has established a credit risk management framework covering all stages from due diligence, credit review and collateral management to post-loan credit examination. The Group monitors the loan-to-margin ratio and loan-to-value ratio on a regular basis of each client to whom the Group has provided financing and take appropriate actions to recover or minimise the losses. A daily report on the client's outstanding loan amount, value of the collateral and loan-to-margin and loan-to-value ratio is generated for the Group's ongoing monitoring and review. The Group has utilised tools such as limit indicators, admission criteria, due diligence standards and internal audit requirements in developing the business in accordance with the Group's risk appetite.

Maximum exposure to credit risk before collateral held or other credit enhancement is represented by the carrying amount of each financial assets in the consolidated statement of financial position after deducting any impairment allowances:

	2023 HK\$'000	2022 HK\$'000
Other assets	22,015	22,857
Loans and advances	1,040,443	1,831,910
Accounts receivable	475,934	450,691
Other receivables	441,477	892,177
Margin loans to customers	1,206,442	1,583,600
Amount due from the ultimate holding company	78,874	77,083
Amount due from a fellow subsidiary	2	24
Amounts due from related parties	185	236
Financial assets at fair value through other comprehensive income – debt investments	6,760,669	9,093,037
Financial assets at fair value through profit or loss - debt investments	400,348	808,078
Derivative financial assets	178	680
Cash and bank balances	1,299,438	1,790,544
	11,726,005	16,550,917

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

Other assets

Other assets are mainly guarantee fund and reserve funds maintained with Central Clearing and Settlement System, Hong Kong Futures Exchange ("HKFE") Clearing Corporation Limited and SEHK Options Clearing House Limited ("SEOCH").

Loans and advances and loan commitments

The Group assesses credit risk of loans to corporate clients by performing credit assessments, which are also subject to regular review and monitoring.

For the loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

Risk Management Department provides regular credit management information reports and ad hoc reports to the Risk Committee, Investment Committee and Board of Directors to facilitate their continuous monitoring of credit risk. In addition, the Group identifies credit concentration risk by industry, geography, client and counterparty. The Group monitors changes to counterparty risk, quality of the credit portfolio and concentration risk, and reports regularly to the Group's Management.

The Group adopts loan grading criteria which divides credit assets into five categories with reference to the regulator's guidelines and alignment with the regulation of parent company – Bank of Communications Co., Ltd. as below:

"Pass" represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

Loans and advances and loan commitments (continued)

Accounts receivable

For accounts receivable arising from the Group's corporate finance and underwriting activities, due diligence on client's business and repayment ability will be conducted before granting of credit. Corporate Finance, Equity Capital Markets and Debt Capital Markets Department will closely update the client's business change through frequent contact with client. Exit strategies are set in place before granting of each credit.

Credit risk from client securities dealing receivables under securities brokerage business is normally controlled through delivery-against-payment settlement and custody arrangement.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for accounts receivable of corporate finance and underwriting business and accounts receivable arising from the Group's dealing in securities and future business.

Evaluations, supplemented by assessments of underlying collaterals, are performed on all clients requiring credit.

Other receivables

Based on past experience, the management believes that there has not been a significant change in credit quality of other receivables and the balance is still considered recoverable as most of the clients have no recent history of default and have a good track record with the Group. Impairment allowance was recognised using "three-stage" ECL model under the requirements of HKFRS 9.

Margin loans to customers

Margin clients of the Group are required to pledge their security investments to the Group for the facilities for securities trading. The amount of facilities granted to them is determined by the discounted values of the shares and is monitored on an ongoing basis.

The collateral for covering the credit risk exposure in case of default is subject to mark-to-market monitoring on a daily basis. Default, margin call and forced liquidation procedures are in place for margin clients. When a customer's margin loan balance exceeds the credit limit granted or a customer's loan-to-margin ratio exceeds 100%, the Group will generate an alert to help monitor its status and decide whether any additional collateral is required. Amongst the customers with loan-to-margin ratio in excess of 200%, the Group will take into consideration of various factors such as customers' background and the interest rate of loan, in particular, the loan-to-value ratio in excess of 70% in making requests for additional collateral.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

Margin loans to customers (continued)

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of the margin loan business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral accepted by the Group.

Amount(s) due from the ultimate holding company/fellow subsidiaries/related parties

Amount(s) due from the ultimate holding company/fellow subsidiaries/related parties represents various income receivable arising from normal business transactions. The amounts are unsecured, interest-free and repayable on demand.

Debt investments

Debt investments are classified as financial assets at fair value through other comprehensive income and at fair value through profit or loss. The debt investments are mainly listed in The Hong Kong Stock Exchange and overseas exchanges. The Investment Committee of the Group assesses the financial strengths and performance of the issuers to ensure the issuers satisfy the repayment of principal and interest as they fall due. The Committee limits the size of the debt portfolio and limits the exposure to a single industry and issuer in order to control the credit risk. The Committee also closely monitors the changes in the credit ratings of the issuers and follows the market news for taking immediate actions if there is an indication of a deterioration of the repayment ability of the issuers.

Derivative financial assets

Derivative financial assets are commodity futures traded in active markets. The credit risk exposure is determined by the change in the market prices of the derivatives. The Group manages the credit risk by monitoring counterparty's credit rating and limiting its trades with stock exchanges.

Cash and bank balances

Cash and bank balances are placed in various authorised institutions and the Directors consider that the credit risk arising from cash and bank balances is minimal.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

Credit quality – debt investments and derivative financial instruments

The credit quality of debt investments and derivative financial instruments can be assessed by reference to credit ratings obtained from major rating agencies in the country where debt and derivative issuers are located (if available) or to historical information about counterparty default rates.

Financial assets at fair value through other comprehensive income – debt investments

	2023 HK\$'000	2022 HK\$'000
Standard & Poor's rating:		
A-	60,525	191,759
BBB+	428,546	573,149
BBB	468,730	746,859
BBB-	360,661	367,813
B	–	51,121
Fitch's rating:		
A	82,479	196,368
A-	555,754	528,873
BBB+	728,586	1,074,355
BBB	669,989	506,776
BBB-	309,318	299,714
Moody's rating:		
A1	22,225	64,120
A2	480,245	499,173
A3	471,465	348,240
Baa1	624,740	747,798
Baa2	435,201	460,455
Baa3	172,441	419,118
Ba1	291,773	274,170
Ba2	128,563	–
Ba3	–	151,597
No rating ⁽¹⁾	469,428	1,591,579
	6,760,669	9,093,037

⁽¹⁾ Financial assets with no rating represent listed and unlisted corporate debts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

Financial assets at fair value through profit or loss – debt investments

	2023 HK\$'000	2022 HK\$'000
Standard & Poor's rating:		
AA	10,537	19,926
AA-	–	1,748
A+	14,372	13,043
A	3,078	5,301
A-	10,434	1,889
BBB+	12,446	–
BBB	–	1,902
BBB-	18,498	3,701
Fitch's rating:		
A+	1,555	1,528
BBB+	–	144,644
BBB	1,849	1,796
BB+	–	19,778
Moody's rating:		
A1	2,204	5,707
A2	10,654	5,845
A3	–	1,447
Aaa	2,347	–
Baa1	14,678	17,756
Baa2	9,169	9,571
Baa3	3,687	226,449
Ba2	251,919	1,763
Ba3	–	3,082
B3	–	3,247
No rating ⁽¹⁾	32,921	317,955
	400,348	808,078

⁽¹⁾ Financial assets with no rating represent listed and unlisted corporate debts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

Derivative financial assets

	2023 HK\$'000	2022 HK\$'000
Standard & Poor's rating:		
A+	158	–
No rating	20	680
	<u>178</u>	<u>680</u>

Derivative financial liabilities

	2023 HK\$'000	2022 HK\$'000
Standard & Poor's rating:		
A	2,023	2,059
No rating	4,381	3,858
	<u>6,404</u>	<u>5,917</u>

The Group has eight types of financial assets that are subject to the ECL model:

- Loans and advances
- Financial assets at FVOCI – debt investments
- Margin loans to customers
- Accounts receivable
- Other receivables
- Amounts due from the ultimate holding company, a fellow subsidiary and related parties
- Cash and bank balances, and
- Other assets

While cash and cash equivalents and other assets are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group established ECL model by using a statistical approach for material portfolios. This approach involves estimation of four risk parameters, i.e. Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and expected life, as well as the use of effective interest rate ("EIR") and forward-looking information.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

In calculating the ECL allowance, forward-looking macroeconomic information, such as unemployment rate or gross domestic products ("GDP"), is incorporated as part of risk parameters estimation. The Group has regularly reference to macro-forecast data from authoritative institutions (such as International Monetary Fund) and a range of macroeconomic factors is maintained based on statistical data tests and expert judgement to ensure that relevant factors could be taken into consideration in the ECL models.

Various economic scenarios are considered such that a probability-weighted average ECL can be estimated. Three scenarios are proposed, i.e. good scenario, neutral scenario and bad scenario. By considering the corresponding probabilities of the scenarios, the probability-weighted average ECL can be estimated.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering both quantitative and qualitative information. Stages are determined by significant credit deterioration criteria, including (1) Principal or interest of the instrument is more than 30 days past due; (2) Credit rating of obligor changes significantly, credit rating is based on internal or external rating results, when the borrower's credit rating is downgraded to a certain level, there has been a significant increase in credit risk. Criteria to determine significant increase in credit risk varies based on the original credit rating upon initial recognition; (3) Loan classification grade has been downgraded to special mention; (4) Other circumstances of significant increase in credit risk according to qualitative reasoning and expert judgement. For example, significant adverse issues that have negative impacts on obligator's repayment ability.

The financial assets are movable between stages. For instance, financial instruments originally classified at stage 1 should be downgraded to stage 2 if events occur such as a significant increase in credit risk. Financial instruments at stage 2 could be upgraded to stage 1 if credit risk decreases and the criteria for the determination of "a significant increase in credit risk" are no longer met.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group considers a financial instrument to be credit-impaired when one or more of the following criteria have been met: (1) Principal or interest of the asset is more than 90 days past due; (2) Loan classification grade has been downgraded to substandard, doubtful or loss; (3) Other circumstances according to qualitative reasoning and expert judgement. For example, the issuer or obligor is in significant financial difficulty, or disappearance of an active market for that financial instrument because of financial difficulties.

The default definition applied by the Group is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and qualitative indicators have been considered when appropriate.

The Group has applied a “three-stage” ECL model for ECL measurement based on changes in credit quality since initial recognition of financial assets as summarised below:

- Stage 1: A loss allowance for a financial instrument should be measured at an amount equal to 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition.
- Stage 2: A loss allowance for a financial instrument should be measured at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, but it is not yet credit-impaired.
- Stage 3: Lifetime ECL are recognised on the financial instrument if the credit risk of a financial instrument increases to the point that it is considered credit-impaired.

The financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

No significant changes to estimation techniques or assumptions were made during the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

Analysis of the gross carrying amount of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

	Stage of assets			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(a) Margin loans to customers				
Gross carrying amount as at 1 January 2023	1,435,077	83,100	178,604	1,696,781
Increases	104,924	2,025	931	107,880
Decreases	(455,779)	(23,264)	–	(479,043)
Transfers between stages				
– Increase	15,699	8,370	–	24,069
– Decrease	(8,370)	(15,699)	–	(24,069)
As at 31 December 2023	<u>1,091,551</u>	<u>54,532</u>	<u>179,535</u>	<u>1,325,618</u>
Gross carrying amount as at 1 January 2022	1,946,702	28,061	198,729	2,173,492
Increases	288,306	5,895	782	294,983
Decreases	(698,819)	(51,968)	(17,733)	(768,520)
Write-off	–	–	(3,174)	(3,174)
Transfers between stages				
– Increase	97	101,209	–	101,306
– Decrease	(101,209)	(97)	–	(101,306)
As at 31 December 2022	<u>1,435,077</u>	<u>83,100</u>	<u>178,604</u>	<u>1,696,781</u>
(b) Other receivables, amounts due from the ultimate holding company, a fellow subsidiary and related parties				
Gross carrying amount as at 1 January 2023	956,454	13,424	80,357	1,050,235
Increases	64,803	514	8,682	73,999
Decreases	(494,319)	(8,837)	(9,709)	(512,865)
Write-off	–	–	(21,025)	(21,025)
Derecognise	–	–	(199)	(199)
Transfers between stages				
– Increase	–	4,586	11,371	15,957
– Decrease	(6,270)	(9,687)	–	(15,957)
As at 31 December 2023	<u>520,668</u>	<u>–</u>	<u>69,477</u>	<u>590,145</u>
Gross carrying amount as at 1 January 2022	575,960	28,111	13,607	617,678
Increases	440,393	5,655	30,806	476,854
Decreases	(34,863)	(6,608)	(2,826)	(44,297)
Transfers between stages				
– Increase	–	9,778	38,770	48,548
– Decrease	(25,036)	(23,512)	–	(48,548)
As at 31 December 2022	<u>956,454</u>	<u>13,424</u>	<u>80,357</u>	<u>1,050,235</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	
(c) Financial assets at FVOCI – debt investments				
Gross carrying amount as at 1 January 2023	8,368,339	295,138	429,560	9,093,037
Increases	269,949	–	1,033	270,982
Decreases	(1,857,345)	(200,224)	(529,548)	(2,587,117)
Write-off	–	–	(16,233)	(16,233)
Transfers between stages				
– Increase	–	116,941	211,855	328,796
– Decrease	(116,941)	(211,855)	–	(328,796)
As at 31 December 2023	<u>6,664,002</u>	<u>–</u>	<u>96,667</u>	<u>6,760,669</u>
Gross carrying amount as at 1 January 2022	11,942,245	569,408	26,818	12,538,471
Increases	592,029	61,051	9,858	662,938
Decreases	(3,281,584)	(554,803)	(271,985)	(4,108,372)
Transfers between stages				
– Increase	–	591,981	664,869	1,256,850
– Decrease	(884,351)	(372,499)	–	(1,256,850)
As at 31 December 2022	<u>8,368,339</u>	<u>295,138</u>	<u>429,560</u>	<u>9,093,037</u>
(d) Loans and advances				
Gross carrying amount as at 1 January 2023	1,332,795	–	1,084,696	2,417,491
Increases	91	–	9,992	10,083
Decreases	(242,522)	–	(547,580)	(790,102)
Write-off	–	–	(133,059)	(133,059)
Transfers between stages				
– Increase	–	–	515,857	515,857
– Decrease	(515,857)	–	–	(515,857)
As at 31 December 2023	<u>574,507</u>	<u>–</u>	<u>929,906</u>	<u>1,504,413</u>
Gross carrying amount as at 1 January 2022	1,397,499	389,100	341,466	2,128,065
Increases	632,511	–	113	632,624
Decreases	(339,243)	–	(3,955)	(343,198)
Transfers between stages				
– Increase	–	–	747,072	747,072
– Decrease	(357,972)	(389,100)	–	(747,072)
As at 31 December 2022	<u>1,332,795</u>	<u>–</u>	<u>1,084,696</u>	<u>2,417,491</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	
(e) Receivable from reverse repurchase agreements				
Gross carrying amount as at 1 January 2023	-	-	-	-
Increases	-	-	-	-
Decreases	-	-	-	-
As at 31 December 2023	-	-	-	-
Gross carrying amount as at 1 January 2022	106,130	-	-	106,130
Increases	-	-	-	-
Decreases	(106,130)	-	-	(106,130)
As at 31 December 2022	-	-	-	-

	Stage of assets				Total HK\$'000
	Stage 1	Stage 2	Stage 3	Lifetime ECL	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	(simplified approach) HK\$'000	
(f) Accounts receivables					
Gross carrying amount as at 1 January 2023	-	-	-	456,081	456,081
Increases	-	-	-	37,689	37,689
Reverses	-	-	-	(12,444)	(12,444)
As at 31 December 2023	-	-	-	481,326	481,326
Gross carrying amount as at 1 January 2022	-	-	-	1,265,927	1,265,927
Increases	-	-	-	10,839	10,839
Reverses	-	-	-	(820,685)	(820,685)
As at 31 December 2022	-	-	-	456,081	456,081

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

As at 31 December 2023 and 31 December 2022, the Group's credit risk exposure of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

	Stage of assets			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(a) Margin loans to customers				
As at 1 January 2023	550	98	112,533	113,181
Increases	123	1	6,023	6,147
Reverses	(102)	(50)	-	(152)
Transfers between stages				
– Increase	2	3	-	5
– Decrease	(3)	(2)	-	(5)
As at 31 December 2023	<u>570</u>	<u>50</u>	<u>118,556</u>	<u>119,176</u>
As at 1 January 2022	2,700	8	93,883	96,591
Increases	84	95	24,146	24,325
Reverses	(2,232)	(7)	(2,322)	(4,561)
Write-off	-	-	(3,174)	(3,174)
Transfers between stages				
– Increase	-	2	-	2
– Decrease	(2)	-	-	(2)
As at 31 December 2022	<u>550</u>	<u>98</u>	<u>112,533</u>	<u>113,181</u>
(b) Other receivables, amounts due from the ultimate holding company, a fellow subsidiary and related parties				
As at 1 January 2023	262	97	80,356	80,715
Increases	20	67	17,618	17,705
Reverses	(144)	(64)	(1,193)	(1,401)
Derecognise	-	-	(6,386)	(6,386)
Write-off	-	-	(21,026)	(21,026)
Transfers between stages				
– Increase	-	6	105	111
– Decrease	(6)	(105)	-	(111)
As at 31 December 2023	<u>132</u>	<u>1</u>	<u>69,474</u>	<u>69,607</u>
As at 1 January 2022	262	154	13,606	14,022
Increases	124	135	66,751	67,010
Reverses	(110)	(18)	(189)	(317)
Transfers between stages				
– Increase	-	9	188	197
– Decrease	(14)	(183)	-	(197)
As at 31 December 2022	<u>262</u>	<u>97</u>	<u>80,356</u>	<u>80,715</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	
(c) Financial assets at FVOCI – debt investments				
As at 1 January 2023	14,868	10,510	835,191	860,569
Increases	237	6,881	602,177	609,295
Reverses	(5,072)	(4,253)	(1,972)	(11,297)
Derecognise	–	–	(111,416)	(111,416)
Write-off	–	–	(287,538)	(287,538)
Transfers between stages				
– Increase	–	712	13,850	14,562
– Decrease	(712)	(13,850)	–	(14,562)
As at 31 December 2023	<u>9,321</u>	<u>–</u>	<u>1,050,292</u>	<u>1,059,613</u>
As at 1 January 2022	17,428	19,899	151,704	189,031
Increases	7,522	21,518	671,426	700,466
Reverses	(3,242)	(8,802)	(11,034)	(23,078)
Derecognise	(4,478)	(1,222)	(150)	(5,850)
Transfers between stages				
– Increase	–	1,714	23,245	24,959
– Decrease	(2,362)	(22,597)	–	(24,959)
As at 31 December 2022	<u>14,868</u>	<u>10,510</u>	<u>835,191</u>	<u>860,569</u>
(d) Loans and advances				
As at 1 January 2023	659	–	584,922	585,581
Increases	–	–	23,765	23,765
Reverses	(216)	–	(18,240)	(18,456)
Write-off	–	–	(133,059)	(133,059)
Bad debts recovery	–	–	6,139	6,139
Transfers between stages				
– Increase	–	–	119	119
– Decrease	(119)	–	–	(119)
As at 31 December 2023	<u>324</u>	<u>–</u>	<u>463,646</u>	<u>463,970</u>
As at 1 January 2022	1,752	34	153,227	155,013
Increases	533	–	431,175	431,708
Reverses	(1,140)	–	–	(1,140)
Transfers between stages				
– Increase	–	–	520	520
– Decrease	(486)	(34)	–	(520)
As at 31 December 2022	<u>659</u>	<u>–</u>	<u>584,922</u>	<u>585,581</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	
(e) Receivable from reverse repurchase agreements				
As at 1 January 2023	-	-	-	-
Increases	-	-	-	-
Reverses	-	-	-	-
As at 31 December 2023	-	-	-	-
As at 1 January 2022	127	-	-	127
Increases	-	-	-	-
Reverses	(127)	-	-	(127)
As at 31 December 2022	-	-	-	-

	Stage of assets				Total HK\$'000
	Stage 1	Stage 2	Stage 3	Lifetime ECL	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	(simplified approach) HK\$'000	
(f) Accounts receivables					
As at 1 January 2023	-	-	-	5,390	5,390
Increases	-	-	-	3	3
Reverses	-	-	-	(1)	(1)
As at 31 December 2023	-	-	-	5,392	5,392
As at 1 January 2022	-	-	-	4,485	4,485
Increases	-	-	-	924	924
Reverses	-	-	-	(19)	(19)
As at 31 December 2022	-	-	-	5,390	5,390

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

The following tables show the credit exposure to financial instruments as at 31 December 2023 and 31 December 2022:

	Stage of assets			Lifetime ECL (simplified approach)	Lifetime ECL (simplified approach) allowance	Total
	Stage 1	Stage 2	Stage 3			
	12-month ECL	Lifetime ECL	Lifetime ECL (credit-impaired)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2023						
Margin loans to customers	1,091,551	54,532	179,535	-	(119,176)	1,206,442
Other receivables, amount due from the ultimate holding company, a fellow subsidiary and related parties	520,668	-	69,477	-	(69,607)	520,538
Financial assets at FVOCI – debt investments	6,664,002	-	96,667	-	(1,059,613)	5,701,056
Loans and advances	574,507	-	929,906	-	(463,970)	1,040,443
Accounts receivables	-	-	-	481,326	(5,392)	475,934
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2022						
Margin loans to customers	1,435,077	83,100	178,604	-	(113,181)	1,583,600
Other receivables, amount due from the ultimate holding company, a fellow subsidiary and related parties	956,454	13,424	80,357	-	(80,715)	969,520
Financial assets at FVOCI – debt investments	8,368,339	295,138	429,560	-	(860,569)	8,232,468
Loans and advances	1,332,795	-	1,084,696	-	(585,581)	1,831,910
Accounts receivables	-	-	-	456,081	(5,390)	450,691
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

For accounts receivable and margin loans to customers, the market value of securities pledged as collateral held by the Group was greater than outstanding balances.

The table below showed the market value of securities pledged as collateral from clients:

	2023 HK\$'000	2022 HK\$'000
Total market value of securities pledged as collateral in respect of margin loans to customers	4,028,704	5,003,502
Total market value of securities pledged as collateral in respect of overdue accounts receivable — clients	297,542	350,710

Ageing analysis of past due accounts receivable

Accounts receivable

	Less than 30 days HK'000	31 to 60 days HK'000	61 to 90 days HK'000	More than 90 days HK'000	Total HK'000
At 31 December 2023					
Clients	2	–	–	2	4
Corporate finance services	779	–	540	7,416	8,735
Underwriting business	–	–	41	4,652	4,693
	781	–	581	12,070	13,432
At 31 December 2022					
Clients	21	–	–	1	22
Corporate finance services	–	–	–	9,626	9,626
Underwriting business	–	16	–	4,443	4,459
	21	16	–	14,070	14,107

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

For loans and advances, the Group assesses the loans using the following credit grading assessment.

Gross loans and advances – grading

	2023 HK\$'000	2022 HK\$'000
Pass	574,507	1,332,795
Special Mention	–	–
Substandard	–	431,883
Doubtful	–	–
Loss	929,906	652,813
	1,504,413	2,417,491

The table below showed the market value of collateral from loans and advances.

	2023 HK\$'000	2022 HK\$'000
Total market value of collateral in respect of loans and advances	1,903,963	4,211,870

Management assessment on economic scenarios, weightings and sensitivity analysis of ECL model

The Group established ECL model by using a statistical approach for financial instruments. This approach involves estimation of four risk parameters, i.e. Probability of Default (“PD”), Loss Given Default (“LGD”), Exposure at Default (“EAD”) and expected life, as well as the use of effective interest rate (“EIR”) and forward-looking information.

To reflect the prevailing market condition, the forward-looking macroeconomic information including unemployment rate, current account balance, total investment balance, volume of imports and exports of goods and services are updated with revision of weightings of its three economic scenarios, i.e. “Optimistic scenario”, “Basic scenario” and “Pessimistic scenario”. The weighting of “Basic scenario” adopted by the Group overweight the aggregated weighting of non “Basic scenario”.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(b) Credit risk (continued)

Management assessment on economic scenarios, weightings and sensitivity analysis of ECL model (continued)

Sensitivity analysis

As at 31 December 2023 and 31 December 2022, sensitivity analysis is conducted for the impact of impairment allowance results against the forward-looking macroeconomic variables on the basis that (i) Optimistic scenario weight increases by 10% and Basic scenario weight is lowered by 10%; (ii) Pessimistic scenario weight increases by 10% and Basic scenario weight is lowered by 10%, as follows:

	31 December			
	2023		2022	
	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000
Loans and advances	18	(135)	35	(286)
Debt investments	514	(3,546)	1,433	(6,360)
Margin loans to customers	21	(14)	19	(26)

(c) Liquidity risk

Liquidity risk refers to the risk of the Group's failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay due debts, perform other payment obligations and satisfy the capital requirements to carry on the Group's businesses in the ordinary course. The licensed subsidiaries are required to maintain at all times liquid capital no less than the stipulated level under the Financial Resources Rules, and report to the SFC respective liquidity positions on a monthly basis. The Group is responsible for the management of liquidity risk with an aim to maintain sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and assessing the ability to close out market positions.

The Finance and Accounting Department is responsible for compiling a daily cash position report in which the information of bank balances and loan balances of different maturities, expected cash inflows and outflows and outstanding loan facilities are all forecasted and computed. The Department would base on the report to monitor daily liquidity risk and consider if any funding is required. Besides, some of the subsidiaries of the Group are regulated by the SFC, those subsidiaries' liquid capital are calculated and assessed daily to fulfill the Financial Resources Rules.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The following table details the maturities analysis at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group is required to pay.

(i) Non derivatives

	On demand or less than 1 month HK\$'000	1 month but less than 3 months HK\$'000	3 months but less than 1 year HK\$'000	1 year but less than 5 years HK\$'000	5 years or above HK\$'000	Undated HK\$'000	Total HK\$'000
As at 31 December 2023							
Borrowings	3,994,802	495,348	-	-	-	-	4,490,150
Subordinated loans from the ultimate holding company	5,069	9,647	44,965	-	-	1,000,000	1,059,681
Obligation under repurchase agreements	-	10,419	901,778	3,265,339	598,949	-	4,776,485
Other payables	152,721	-	-	-	-	-	152,721
Accounts payable	315,892	-	-	-	-	-	315,892
Lease liabilities	7,504	12,832	52,244	73,939	-	-	146,519
Debt securities issued	-	-	68,101	3,993,652	-	-	4,061,753
Financial liabilities at fair value through profit or loss	799,518	-	-	67,030	451,970	-	1,318,518
	<u>5,275,506</u>	<u>528,246</u>	<u>1,067,088</u>	<u>7,399,960</u>	<u>1,050,919</u>	<u>1,000,000</u>	<u>16,321,719</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

(i) Non derivatives (continued)

	On demand or less than 1 month HK\$'000	1 month but less than 3 months HK\$'000	3 months but less than 1 year HK\$'000	1 year but less than 5 years HK\$'000	5 years or above HK\$'000	Undated HK\$'000	Total HK\$'000
As at 31 December 2022							
Borrowings	6,078,312	-	1,667,100	-	-	-	7,745,412
Subordinated loans from the ultimate holding company	4,286	8,157	38,021	101,067	-	1,000,000	1,151,531
Obligation under repurchase agreements	94,227	-	3,978,804	1,238,345	442,667	-	5,754,043
Other payables	95,687	-	-	-	-	-	95,687
Accounts payable	565,445	-	-	-	-	-	565,445
Lease liabilities	6,019	13,083	55,427	106,055	-	-	180,584
Debt securities issued	-	-	68,101	4,061,753	-	-	4,129,854
Financial liabilities at fair value through profit or loss	1,949,594	222	222	80,699	519,410	-	2,550,147
	<u>8,793,570</u>	<u>21,462</u>	<u>5,807,675</u>	<u>5,587,919</u>	<u>962,077</u>	<u>1,000,000</u>	<u>22,172,703</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

(ii) Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flow positions of the Group's derivative financial instruments that will be settled on a gross basis:

	On demand or less than 1 month HK\$'000	1 month but less than 3 months HK\$'000	3 months but less than 1 year HK\$'000	1 year but less than 5 years HK\$'000	5 years or above HK\$'000	Undated HK\$'000	Total HK\$'000
At 31 December 2023							
Derivative financial instruments settled on a gross basis							
Outflow	(24,228)	-	-	-	-	-	(24,228)
Inflow	24,239	-	-	-	-	-	24,239

	On demand or less than 1 month HK\$'000	1 month but less than 3 months HK\$'000	3 months but less than 1 year HK\$'000	1 year but less than 5 years HK\$'000	5 years or above HK\$'000	Undated HK\$'000	Total HK\$'000
At 31 December 2022							
Derivative financial instruments settled on a gross basis							
Outflow	-	-	(84,002)	-	-	-	(84,002)
Inflow	-	-	84,207	-	-	-	84,207

39.2 Capital risk management

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of consolidated statement of financial position, are:

- (i) to comply with the requirements of the Hong Kong Securities and Futures Ordinance ("HKSF") for the Company's licensed subsidiaries in carrying various types of regulated activities;
- (ii) to support the Group's stability and growth;
- (iii) to optimise risk adjusted return to the shareholders; and
- (iv) to maintain a strong capital base to support the development of its business.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Capital risk management (continued)

The subsidiaries of the Company licensed under the HKSFPO are also required to maintain adequate financial resources to support their businesses. The Securities and Futures (Financial Resources) Rules require a licensed corporation to maintain liquid capital which is not less than its required liquid capital. During the years, the Company's licensed subsidiaries have maintained adequate liquid capital to meet the requirement. During the years ended 31 December 2023 and 2022, the Company's licensed subsidiaries were regulated by the SFC and complied with the statutory capital requirement.

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of share capital and reserves. The Group's overall strategy has remained unchanged throughout the years.

The Group has Capital Allocation policies. Directors, Finance and Accounting Department and Risk Management Department would discuss at the beginning of each year to set absolute and relative exposure limits of the capital to different classes of assets, after analysing the capital needs, potential returns and business risks of different segments of business. Throughout the year, the usage and allocation of capital would be closely scrutinised to make sure it would not be deviated from its plan. The purpose of these policies is to maximise the shareholders' return within a controllable risk level.

	2023 HK\$'000	2022 HK\$'000
Total borrowings (Note 34)	10,257,749	14,433,843
Debt securities issued (Note 35)	3,891,207	3,881,848
	14,148,956	18,315,691
Total equity	1,796,640	2,676,593
Gearing ratio	787.5%	684.3%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Fair value estimation

Certain financial assets and liabilities of the Group are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed by the Board of Directors periodically.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2023.

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 markets 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; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments with quoted prices for identical instruments in active markets is determined by the open market quotations. These instruments are classified as Level 1. The Group uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable. If the key parameters used in valuation techniques for financial instruments are substantially observable and obtainable from active open market, the instruments are classified as Level 2. The second hierarchy of financial instruments held by the Group includes equity securities, and its fair value is estimated by adopting option pricing methodologies. The main parameters used include the relevant yield curve, exchange rate and level of volatilities etc. All parameters used in valuation techniques are substantially observable and obtainable from active open market.

Level 3 financial instruments are valued using models which utilise observable Level 1 and/or Level 2 inputs, as well as unobservable Level 3 inputs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Fair value estimation (continued)

The table below provides further information regarding the valuation of material financial assets and liabilities under Level 3.

As at 31 December 2023	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income				
Unlisted equities	Recent transaction price	(i)	N/A	N/A
Financial assets at fair value through profit or loss				
Club debenture	Recent transaction price	Liquidity discount rate	25%	(ii)
Unlisted equities	Recent transaction price	(i)	N/A	N/A
	Market approach	Volatility	45.52%- 64.84%	(v)
	Market approach	Sales multiples	1.7x-14.6x	(iii)
Unlisted funds	Market approach	Sales multiples	1.7x-5.1x	(iii)
	Allocated net asset value	Net asset value	N/A	(iv)
	Recent transaction price	(i)	N/A	N/A
	Market approach	Volatility	45.41%	(v)
Preference shares	Recent transaction price	(i)	N/A	N/A
	Market approach	Volatility	43.23%	(v)
	Market approach	Sales multiples	1.7x-8.4x	(iii)
Financial liabilities at fair value through profit or loss				
Financial liabilities to the investors of the funds consolidated	Allocated net asset value	Net asset value	N/A	(iv)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Fair value estimation (continued)

As at 31 December 2022	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income				
Unlisted equity	Recent transaction price	(i)	N/A	N/A
Financial assets at fair value through profit or loss				
Club debenture	Recent transaction price	Liquidity discount rate	25%	(ii)
Unlisted equities	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	44.93%- 78.30%	(v)
Unlisted funds	Equity allocation method	Sales multiples	2.2x-10.9x	(iii)
	Equity allocation method	Sales multiples	2.3x	(iii)
	Allocated net asset value	Net asset value	N/A	(iv)
	Recent transaction price	(i)	N/A	N/A
Preference shares	Equity allocation method	Volatility	86.81%	(v)
	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	57.79%- 81.96%	(v)
	Equity allocation method	Sales multiples	1.6x-7.5x	(iii)
Financial liabilities at fair value through profit or loss				
Financial liabilities to the investors of the funds consolidated	Allocated net asset value	Net asset value	N/A	(iv)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Fair value estimation (continued)

- (i) The Directors of the Company consider that the financial position of these investments has no significant change between its recent transaction date/exit date and the reporting date, and hence no adjustment to the recent transaction price/exit price is needed.
- (ii) The higher the discount rate, the lower the fair value.
- (iii) The higher the multiples, the higher the fair value.
- (iv) The higher the net asset value, the higher the fair value.
- (v) The higher the volatility, the lower the fair value.

The following tables present the changes in Level 3 instruments for the year ended 31 December 2023 and for the year ended 31 December 2022.

	2023 HK\$'000	2022 HK\$'000
Financial assets at fair value through other comprehensive income		
Beginning of the year	6,654	7,282
Transfer during the year	(6,748)	—
Net gain/(loss) recognised in other comprehensive income	94	(628)
End of the year (Note 22)	—	6,654

	2023 HK\$'000	2022 HK\$'000
Financial assets at fair value through profit or loss		
Beginning of the year	4,915,318	4,719,759
Addition during the year	46,465	694,611
Disposal during the year	(735,680)	(295,246)
Transfer during the year	(243,322)	(22,158)
Net gain/(loss) recognised in profit or loss	49,545	(63,700)
Exchange adjustments	(23,444)	(117,948)
End of the year (Note 22)	4,008,882	4,915,318

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Fair value estimation (continued)

	2023 HK\$'000	2022 HK\$'000
Derivative financial assets		
Beginning of the year	–	78,500
Disposal during the year	–	(78,500)
End of the year (Note 22)	–	–
Financial liabilities at fair value through profit or loss		
Beginning of the year	594,165	–
Reclassification adjustment	–	616,169
Adjusted balance	594,165	616,169
Net gain recognised in profit or loss	(75,165)	(22,004)
End of the year (Note 22)	519,000	594,165
Derivative financial liabilities		
Beginning of the year	3,858	555
Addition during the year	–	3,258
Net loss recognised in profit or loss	523	45
End of the year (Note 22)	4,381	3,858

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Fair value estimation (continued)

The Group has adopted consistent and transparent methodology based on these valuation techniques above for determining fair value. Regardless of the valuation methodology used, once used, it should continue to be used until a new methodology provides a better approximation of the investment's current fair value. The management expects that there would not be frequent changes in valuation techniques.

Sensitivity analysis

The following table details the Group's sensitivity to changes of unobservable inputs. The changes on one or more of the unobservable inputs would materially change the fair value of financial instruments in Level 3. The number shown below indicates an increase in profit after taxation/total assets and other comprehensive income/equity where unobservable inputs have a reasonably possible shift as shown.

Change in net asset value

	2023		2022	
	+10%	-10%	+10%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on profit after taxation/ total assets	119,632	(119,632)	184,412	(184,412)

Change in adjustment to the recent transaction price/exit price

	2023		2022	
	+10%	-10%	+10%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on profit after taxation/ total assets	53,278	(53,278)	59,003	(59,003)
Impact on other comprehensive income/equity	-	-	556	(556)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Fair value estimation (continued)

Sensitivity analysis (continued)

Change in volatility

	2023		2022	
	+10%	-10%	+10%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on profit after taxation/ total assets	(1,488)	1,108	(3,557)	2,745

Change in multiples

	2023		2022	
	+10%	-10%	+10%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on profit after taxation/ total assets	73,405	(73,301)	81,487	(80,180)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Offsetting financial assets and financial liabilities

The Group has net off the financial assets and financial liabilities with counterparties and clearing house for unsettled trades.

(a) *Financial assets*

As at 31 December 2023	Gross amount of recognised financial assets HK\$'000	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000
Accounts receivable from			
– Clients	83,001	–	83,001
– Brokers	173,131	(10,263)	162,868
– Clearing house	416,977	(199,210)	217,767
Margin loans to customers	<u>1,267,629</u>	<u>(61,187)</u>	<u>1,206,442</u>
Total, net of impairment allowance	<u>1,940,738</u>	<u>(270,660)</u>	<u>1,670,078</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Offsetting financial assets and financial liabilities (continued)

(a) Financial assets (continued)

As at 31 December 2022	Gross amount of recognised financial assets HK\$'000	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000
Accounts receivable from			
– Clients	498,002	(245,072)	252,930
– Brokers	182,660	(49,861)	132,799
– Clearing house	55,011	–	55,011
Margin loans to customers	<u>1,679,687</u>	<u>(96,087)</u>	<u>1,583,600</u>
Total, net of impairment allowance	<u>2,415,360</u>	<u>(391,020)</u>	<u>2,024,340</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Offsetting financial assets and financial liabilities (continued)

(b) Financial liabilities

As at 31 December 2023	Gross amount of recognised financial liabilities HK\$'000	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000
Accounts payable to			
– Clients	376,692	(61,187)	315,505
– Clearing house	199,597	(199,210)	387
– Brokers	10,263	(10,263)	–
Total	586,552	(270,660)	315,892

As at 31 December 2022	Gross amount of recognised financial liabilities HK\$'000	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000
Accounts payable to			
– Clients	738,606	(341,159)	397,447
– Clearing house	145,971	–	145,971
– Brokers	71,888	(49,861)	22,027
Total	956,465	(391,020)	565,445

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2023 HK\$'000	31/12/2022 HK\$'000
Non-current Assets		
Property and equipment	18,732	25,958
Right-of-use assets	56,759	43,455
Interest in subsidiaries	4,092,794	4,143,137
Interest in joint ventures	626,015	626,015
Subordinated loans to subsidiaries	1,701,640	1,700,470
Financial assets at fair value through other comprehensive income	407,284	436,695
Loans and advances	581,270	608,838
Total non-current assets	7,484,494	7,584,568
Current Assets		
Loans and advances	459,173	1,223,072
Other receivables and prepayments	112,360	82,114
Amount due from the ultimate holding company	2,284	246
Amounts due from subsidiaries	4,317,989	5,657,768
Financial assets at fair value through other comprehensive income	99,122	607,158
Financial assets at fair value through profit or loss	2,610,825	3,206,007
Derivative financial assets	178	475
Cash and bank balances	165,366	67,286
Total current assets	7,767,297	10,844,126
Total assets	15,251,791	18,428,694
Equity and liabilities		
Equity attributable to shareholders of the Company		
Share capital	3,909,555	3,909,555
Accumulated losses	(818,523)	(371,748)
Revaluation reserve	(43,695)	29,683
Total equity	3,047,337	3,567,490

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	31/12/2023 HK\$'000	31/12/2022 HK\$'000
Non-current Liabilities		
Lease liabilities	<u>22,720</u>	13,315
Total non-current liabilities	<u>22,720</u>	13,315
Current Liabilities		
Borrowings	4,481,264	7,001,847
Provision for staff costs	72,151	91,839
Other payables and accrued expenses	28,773	23,185
Contract liabilities	11,958	461
Lease liabilities	30,763	28,591
Amounts due to subsidiaries	7,552,988	7,698,708
Derivative financial liabilities	<u>3,837</u>	<u>3,258</u>
Total current liabilities	<u>12,181,734</u>	14,847,889
Total liabilities	<u>12,204,454</u>	<u>14,861,204</u>
Total equity and liabilities	<u>15,251,791</u>	<u>18,428,694</u>
Net current liabilities	<u>(4,414,437)</u>	<u>(4,003,763)</u>
Total assets less current liabilities	<u>3,070,057</u>	<u>3,580,805</u>

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 25 March 2024 and signed on its behalf by:

Tan Yueheng,
Chairman & Executive Director

Wang Xianjia,
Deputy Chief Executive Officer,
Chief Risk Officer & Executive Director

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

41. RESERVES OF THE COMPANY

	(Accumulated losses)/ retained earnings HK\$'000	Revaluation reserve HK\$'000
At 1 January 2022	<u>1,321,838</u>	<u>(69,671)</u>
Loss for the year	(1,556,866)	–
Other comprehensive income for the year	<u>–</u>	<u>99,354</u>
Total comprehensive income for the year	<u>(1,556,866)</u>	<u>99,354</u>
Final dividend for 2021	<u>(136,720)</u>	<u>–</u>
At 31 December 2022	<u>(371,748)</u>	<u>29,683</u>
At 1 January 2023	<u>(371,748)</u>	<u>29,683</u>
Loss for the year	(446,775)	–
Other comprehensive income for the year	<u>–</u>	<u>(73,378)</u>
Total comprehensive income for the year	<u>(446,775)</u>	<u>(73,378)</u>
Final dividend for 2022	<u>–</u>	<u>–</u>
At 31 December 2023	<u>(818,523)</u>	<u>(43,695)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

42. CASH HELD ON BEHALF OF BROKERAGE CLIENTS AND ASSET MANAGEMENT CLIENTS

The Group maintains segregated client accounts with licensed banks to hold client monies arising from normal business transactions in connection with the Group's brokerage and asset management business.

The Group

(a) *Segregated client accounts with HKFE Clearing Corporation Limited ("HKCC")*

	2023 HK\$'000	2022 HK\$'000
Segregated client accounts with HKCC	<u>6,082</u>	<u>15,166</u>

(b) *Segregated client accounts with SEHK Options Clearing House Limited ("SEOCH") in conjunction with its futures and options business*

	2023 HK\$'000	2022 HK\$'000
Segregated client accounts with SEOCH	<u>33,114</u>	<u>45,513</u>

(c) *Segregated client accounts with authorised institutions ("AIs") as a result of its normal business transactions, which are not otherwise dealt within the financial information*

	2023 HK\$'000	2022 HK\$'000
Segregated client accounts with AIs	<u>2,504,719</u>	<u>3,871,021</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

43. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Borrowings HK\$'000	Obligation under repurchase agreements HK\$'000	Lease liabilities HK\$'000	Debt securities issued HK\$'000	Total HK\$'000
At 1 January 2022	11,096,024	7,136,136	245,404	3,878,479	22,356,043
Net repayment	(2,441,090)	–	–	–	(2,441,090)
Decrease in obligation under repurchase agreements	–	(1,418,836)	–	–	(1,418,836)
New lease entered/lease modified	–	–	55,998	–	55,998
Lease disposals	–	–	(20,089)	–	(20,089)
Capital element of lease rentals paid	–	–	(92,894)	–	(92,894)
Interest element of lease rentals paid	–	–	(2,667)	–	(2,667)
Interest expenses	–	–	2,667	71,283	73,950
Cash payments for interest on debt securities issued	–	–	–	(68,368)	(68,368)
Foreign exchange adjustments	24,867	36,742	(14,964)	454	47,099
At 31 December 2022	8,679,801	5,754,042	173,455	3,881,848	18,489,146
Net repayment	(3,188,900)	–	–	–	(3,188,900)
Decrease in obligation under repurchase agreements	–	(974,756)	–	–	(974,756)
New lease entered/lease modified	–	–	55,922	–	55,922
Lease disposals	–	–	(235)	–	(235)
Capital element of lease rentals paid	–	–	(81,784)	–	(81,784)
Interest element of lease rentals paid	–	–	(2,841)	–	(2,841)
Interest expenses	–	–	2,841	71,253	74,094
Cash payments for interest on debt securities issued	–	–	–	(68,289)	(68,289)
Foreign exchange adjustments	(9,637)	(2,801)	(2,193)	6,395	(8,236)
At 31 December 2023	5,481,264	4,776,485	145,165	3,891,207	14,294,121

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Glossary

“AUM”	the amount of assets under management
“Articles of Association”	the articles of association of the Company, which became effective on the Listing Date
“Board” or “Board of Directors”	the board of Directors of the Company
“BOCOM”	Bank of Communications Co., Ltd. (交通銀行股份有限公司), established in 1908, a company registered in the PRC as a joint stock limited liability company on 24 December 2004, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, and the ultimate controlling Shareholder of the Company
“BOCOM (Hong Kong Branch)”	the Hong Kong Branch of BOCOM
“BOCOM Group”	BOCOM and its subsidiaries (excluding the Group)
“BOCOM International (Shanghai)”	BOCOM International (Shanghai) Equity Investment Management Co., Ltd. (交銀國際(上海)股權投資管理有限公司), a company incorporated in the PRC with limited liability on 25 October 2010 and a subsidiary of the Company
“BOCOM International (Shenzhen)”	BOCOM International Private Equity Fund Management (Shenzhen) Company Limited (交銀國際私募股權基金管理(深圳)有限公司), a company incorporated in the PRC with limited liability on 3 February 2016, a subsidiary of the Company
“BOCOM Nominee”	Bank of Communications (Nominee) Company Limited, a company incorporated in Hong Kong with limited liability on 21 August 1981 and a subsidiary of BOCOM and a Shareholder of the Company holding Shares on trust for BOCOM
“China Energy Capital”	China Energy Capital Holdings Co., Ltd.* (國家能源集團資本控股有限公司)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	BOCOM International Holdings Company Limited (交銀國際控股有限公司), a company incorporated in Hong Kong with limited liability on 3 June 1998, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules

“Director(s)”	director(s) of the Company
“Expectation Investment”	Expectation Investment Limited, a company incorporated in Hong Kong with limited liability on 29 January 1997, an indirect subsidiary of BOCOM and a Shareholder of the Company
“Federal Reserve”	the Federal Reserve System of the US
“Group” or “we” or “us”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IPO(s)”	initial public offering(s)
“Listing Date”	19 May 2017, the date on which the Shares were first listed on the Stock Exchange and from which dealings in the Shares on the Stock Exchange commenced
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“PRC” or “China”	the People’s Republic of China
“QDIE”	Qualified Domestic Investment Entity
“QFLP”	Qualified Foreign Limited Partnership
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

Glossary

"Stock Exchange" or "SEHK" or "HKEX"	The Stock Exchange of Hong Kong Limited
"US", "U.S." or "United States"	the United States of America
"USD" or "US\$"	United States dollars, the lawful currency of the United States
"Year" or "Reporting Period"	the year ended 31 December 2023



交銀國際控股有限公司

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