SHENWAN HONGYUAN

SHENWAN HONGYUAN (H.K.) LIMITED
申 萬 宏 源（香 港）有 限 公 司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 218)

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Wu Meng *(Chairman)*
Tan Weijun
Liang Jun *(Chief Executive Officer)*
Hu Jing

Non-executive Director
Zhang Lei
Ren Xiaotao

Independent Non-executive Directors
Ng Wing Hang Patrick
Kwok Lam Kwong Larry

AUDIT COMMITTEE

Ng Wing Hang Patrick *(Chairman)*
Kwok Lam Kwong Larry

REMUNERATION COMMITTEE

Kwok Lam Kwong Larry *(Chairman)*
Ng Wing Hang Patrick

NOMINATION COMMITTEE

Wu Meng *(Chairman)*
Ng Wing Hang Patrick
Kwok Lam Kwong Larry

RISK COMMITTEE

Ng Wing Hang Patrick *(Chairman)*
Tan Weijun
Liang Jun
Hu Jing
Kwok Lam Kwong Larry

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Wu Meng *(Chairman)*
Liang Jun
Hu Jing
Kwok Lam Kwong Larry

COMPANY SECRETARY

Wong Che Keung Leslie

PRINCIPAL BANKERS

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

AUDITORS

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

REGISTERED OFFICE

Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

SHARE REGISTRAR & TRANSFER OFFICE

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

WEBSITE

http://www.swhyhk.com

2023 MARKET REVIEW

From the perspective of global macro environment, the market theme in 2023 was the continued tightening of overseas monetary policy, with the US and European central banks entering the middle and latter stages of their interest rate hike process. Although the inflation rate entered a downward path as expected, the high interest rates led to the impairment of the value of bonds held by large banks, and dampened financing activities, and led to a shift in residents' deposits to the money market funds with higher yields. As a result, a number of regional banks in the US collapsed due to bank runs, and Credit Suisse was acquired due to mismanagement, which triggered sharp market fluctuations. Under the high interest rate environment, the US and European economies have diverged. In the US, through the fiscal power, the residents established excess savings, and the interest rates of most mortgages are locked in the period of low interest rates, strong consumption support provides resilience to the economy; while in the Europe, the manufacturing sector was more affected by high interest rates, with the PMI remaining below the 50 threshold in 2023 and continuing to weaken.

From the perspective of macro environment in Chinese Mainland, the rebound in consumption after the pandemic became the main drive for the weak recovery in the first half of 2023. Besides, in the context of lower financing costs and the restructuring of the Mainland economy, investment in the manufacturing sector has shown resilience, with an annual growth rate of 6.5%, and the strength of the fiscal policy has led to infrastructure investment to support "growth stabilisation". In terms of imports and exports, the trade structure continued to be optimised, with the total value of imports and exports of goods trade increasing compared with that of 2022. However, real estate sales and investment continued to fall. The rebound in consumption was curbed in the second half of 2023 due to the double impact of the risks in the real estate sector and the decline in residents' expected income. The annual retail sales of consumer goods grew by 7.2% year-on-year, which is still lower than the pre-pandemic level. As a result of the above factors, annual GDP grew by 5.2% year-on-year, with the overall recovery on a more favorable trend.

The capital market in Chinese Mainland displayed a downward fluctuation in 2023. The Shanghai Composite Index, Shenzhen Composite Index and GEM Index fell by 4.54%, 14.32% and 19.74% respectively throughout the year. The A-share IPO market was relatively active in 2023, with a total of 313 IPOs raising RMB356.4 billion, representing a year-on-year decline of 39.2% in fund raising amount due to the high base in 2022.

In Hong Kong, the economy continued to recover, and the year-on-year GDP growth rates of the four quarters of 2023 were higher than those of the same period last year. However, due to the interest rate hike from the US Federal Reserve and the impact of capital flows, the overall performance of Hong Kong shares was below expectation, with the Hang Seng Index falling by 13.82% throughout the year. The net inflow of southbound capital for the year was HK$318.8 billion, representing a decrease of 17.5% from HK$386.4 billion in 2022. The number of newly listed companies in Hong Kong throughout the year was 73, and the total amount of funds raised was HK$46.3 billion, representing a year-on-year decrease of 18.9% and 55.7% respectively compared with 2022.

FUTURE PLANS & PROSPECTS

From the perspective of the global financial market environment, the overseas monetary policies may ease in 2024, and the spillover effects of monetary tightening policies of developed countries on emerging markets are expected to slow down marginally. In the US, residential consumption is expected to slow down under the impact of the depletion of residents' excessive savings and the marginal weakening of personal tax incentives. However, the investment may lead to the US Federal Reserve lowering the interest rate less than the market expectation, and there is uncertainty about the level of monetary policy easing.

In Chinese Mainland, in 2024, the mainland government will intensify its growth stabilisation policies, and the economy will rebound steadily. Housing prices are expected to rise as a result of supply clears, and residential consumption is expected to recover moderately; the real estate chain may still be a drag on GDP, but the rate of decline is expected to narrow, and investment in infrastructure and manufacturing will continue to play a supporting role; the narrowing of supply and demand gaps in developed countries is expected to lead to an upturn in import growth. Real GDP growth in 2024 is expected to be 4.5% to 5.0%.

In Hong Kong, the US Federal Reserve may restart its quantitative monetary easing policy in 2024, which will improve the external liquidity conditions of the market, and as the growth stabilisation policies implemented in Chinese Mainland continue to gain momentum, the probability of the Chinese Mainland economy stabilising in the medium term will increase, and the fundamentals of Hong Kong shares will be supported by the recovery of the Chinese Mainland economy. Overall, in 2024, the earnings of Hong Kong listed companies are expected to bottom out, and index valuations are poised to recover.

In 2024, the development of global macro economy is still uncertain. The Group will continue to pay close attention to the macro-economic and regulatory development trends, accelerate business expansion pace to strive for stable and rapid development, strengthen its core competitiveness, and enhance its revenue-generating capacity and profitability. The Group will actively implement its national strategy and contribute to the development of the real economy; continue to optimise its integrated service capabilities, enhance customer loyalty and promote fee-based income growth; actively explore new businesses and develop new products within the scope of the risk management framework to continuously strengthen its business characteristics and create a stable source of income; continue to promote domestic and overseas synergies and cooperation to capitalise on the strengths of its brands and resources in the PRC to drive our business development; further improve its risk management system, conduct risk assessments and early warnings for different asset types and profit models, and strengthen the monitoring of core risk limit indicators, underlying assets of major investment and financing projects and counterparties; enhance the application of financial technology to improve the efficiency of business development and operation and management by means of information technology, improve the capability of operation protection, and accelerate the automation and standardisation of operations; strengthen the construction of human resources, further optimise the human resources structure, improve the core human resources system, and strive to become an integrated financial services provider with market recognition and international competitiveness.

Wu Meng
Chairman

Hong Kong
25 March 2024

REVIEW OF OPERATIONS

In 2023, the Group thoroughly served the national strategy, actively promoted the transformation and development of light capital business, vigorously deepened the application of technology in business development and operation management, and provided professional and efficient financial services to customers. The Group capitalised on the market opportunities arising from the macro environment and policy adjustments, actively developed new products and new businesses, and continued to deepen cross-border business synergies to enhance its comprehensive service capabilities. The Group continued to enhance its risk management capabilities and strengthened its efforts in risk identification, assessment, measurement and decision-making support. The Group also strengthened its system construction, improved its internal control system, taken various measures to strengthen budget management, improved cost control and enhanced management efficiency.

In 2023, the revenue of the Group increased by 45% year-on-year to HK$618 million from HK$426 million in 2022. In 2023, the Group recorded loss before taxation of HK$125 million and loss attributable to shareholders of HK$192 million, while loss before taxation and loss attributable to shareholders were HK$871 million and HK$880 million respectively in 2022. The loss during the reporting period was mainly due to the expected credit loss provision of fixed income products in the institutional services and trading business. The expected credit loss provision is not a realised loss. As the Group has taken a series of risk control measures during the year, the amount of expected credit losses provided in 2023 decreased compared with that in 2022. The business of the Group operates as usual and the overall financial, business and operating positions of the Group remain sound.

	2023		2022	
	HK$'000	**%**	HK$'000	%
Fee and commission income	**224,862**	**36%**	235,506	55%
Interest income	**271,626**	**44%**	197,045	46%
Income from investment business	**121,727**	**20%**	(6,211)	(1%)
	618,215	**100%**	426,340	100%

During the year under review, the brokerage business was affected by the tightening of regulatory policies on cross-border business and the sharp fluctuation in the securities market. The fee and commission income decreased by 5% year-on-year to HK$225 million. As the US Federal Reserve continued to raise interest rates, the interest income increased by 38% year-on-year to HK$272 million. The investment business turned from loss to revenue of HK$122 million through business transformation and development in the face of significant decrease in the amount of expected credit losses provided.

REVIEW OF OPERATIONS *(Cont'd)*

Wealth Management Business

The wealth management business mainly provides a series of comprehensive financial services including securities, futures and options brokerage, the sale of financial products such as wealth management, over-the-counter, as well as securities margin financing to individual clients and non-professional institutional investors through a combination of online and offline methods.

	2023 HK$'000	2022 HK$'000	%
Fee and commission income	65,583	101,430	(35%)
Interest income	235,737	171,305	38%
— Loans to clients	91,011	105,530	(14%)
— Others	144,726	65,775	120%
Income from investment business	(71)	405	(118%)
	301,249	273,140	10%

In 2023, a number of major economies continued to maintain high inflation level, and factors such as geopolitical conflicts affected economic development. The Hang Seng Index showed a fluctuation range of approximately 6,700 points during the year. The total trading volume and the average daily trading volume of the Hong Kong stock market, and the average daily trading volume of HSMSI declined significantly year-on-year. The IPO of H shares slowed down in general.

During the year under review, the income from wealth management business of the Group increased by 10%, with the fee and commission income from wealth management business amounting to HK$65.58 million, a decrease of 35% compared to HK$101 million in 2022. As for interest income, the total interest income from customer loans for the year amounted to HK$91.01 million, representing a decrease of 14% from HK$106 million in 2022, while the total interest income increased significantly by 38% compared with 2022.

The Group has adhered to the customer-focused business philosophy, deeply promoted the transformation and development of wealth management business, accumulated external expansion momentum through internal management upgrading, and continuously improved the comprehensive service experience of customers. The Group horizontally broadened its business types and financial technology platform, and realised comprehensive upgrading of the Internet stock trading system and multi-level optimisation of the "one-stop" service platform for wealth management. The Group vertically optimised the brand service systems and service response mechanisms of "Wynner" and "Wynner League" in wealth management to persistently provide customers with efficient, convenient and high-quality wealth management services, and to continuously improve its own service level.

REVIEW OF OPERATIONS *(Cont'd)*

Enterprise Finance Business

The enterprise finance business consists of corporate finance business and investment business. The corporate finance business provides corporate clients with stock underwriting sponsorship, bond underwriting and financial advisory services, while investment business mainly includes self-financing equity investment, debt investment and other investments.

	2023 HK$'000	2022 HK$'000	%
Fee and commission income	70,025	46,995	49%
Income from investment business	101,428	(11,914)	951%
	171,453	35,081	389%

In 2023, the Hong Kong IPOs market continued to face a slowdown, and the scale of US dollar bond issuance significantly declined. The Group actively expanded its businesses and overcoming objective difficulties. The fee and commission income of the enterprise finance business increased by 49% year-on-year to HK$70.03 million during the year under review. In addition, the Group utilised its own funds to make investments and recorded an investment income of HK$101 million.

— *Sponsorship and underwriting and financial advisory*

In 2023, the Hong Kong primary stock market continued the downturn. With the support of our parent company, the Group formed a certain number of sponsorship and underwriting project reserves through internationalisation and domestic and international integration strategies, and added and completed more than ten financial advisory projects. The Group will proactively broaden sponsorship and underwriting project reserves and transformation, participate in more financial advisory projects related to acquisitions and mergers, and strengthen the collaboration with domestic teams of our parent company, so as to increase potential client coverage in the enterprise financing business.

— *Equity capital market*

In 2023, the equity capital market team participated in 11 IPO underwriting projects, 2 global depositary receipt issuance projects and one placement project in a relatively sluggish market environment. The equity capital market team will continue to actively position itself in selected key sectors, and serve more quality companies to be listed in Hong Kong. In response to the changes in regulatory policies, the Group will deeply explore business opportunities, expand sales network, strengthen the construction of equity capital market team, and enhance cooperation with domestic and overseas business teams through high-quality comprehensive financial services, to provide better and more comprehensive services to clients.

REVIEW OF OPERATIONS *(Cont'd)*

Enterprise Finance Business *(Cont'd)*

— *Debt capital market*

During the year under review, the Group benefitted from the collaboration of domestic and overseas teams and the accumulation of projects, and completed a total of 126 bond projects (including 124 underwriting projects and 2 financial advisory projects). In the face of the ever-changing offshore US dollar bond market, the Group will continue to explore overseas bond issuance projects for quality enterprises, such as large-scale government-controlled enterprises and state-owned conglomerates, and further enhance the collaboration capabilities of domestic and overseas teams. The teams will grow and progress together to form a strong team synergy. The Group will continue to recruit talents to improve the business capacity of the team, in an effort to increase its market share and revenue.

Institutional Services and Trading Business

The institutional services and trading business mainly provides one-stop integrated financial services for institutional clients, such as global stock brokerage and trading, sales and trading of fixed income bonds, currencies and commodities, research advisory, and investment and financing solutions. It also utilises its own funds or acts as a counterparty to institutional clients to engage in the trading of fixed income bonds, currencies and commodities, equity and equity-linked securities for proprietary and client orders, and provides sales, trading, hedging and over-the-counter derivative services to institutional clients.

	Fee and commission income		Interest income		Income from investment business		Total		
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	%
Fixed income, currencies and commodities	**—**	—	**—**	—	**10,894**	278	**10,894**	278	3819%
Structured products	**—**	—	**—**	—	**9,476**	5,020	**9,476**	5,020	89%
Stock business	**70,877**	68,402	**35,889**	25,740	**—**	—	**106,766**	94,142	13%
	70,877	68,402	**35,889**	25,740	**20,370**	5,298	**127,136**	99,440	28%

REVIEW OF OPERATIONS *(Cont'd)*

Institutional Services and Trading Business *(Cont'd)*

In 2023, the frequent geopolitical events, volatile US interest rates, together with the impact of bankruptcy crisis of SME banks in the US, the acquisition of Credit Suisse and the high interest rate of the US dollar and other factors, the US dollar bond market continued to weaken, and its issuance and trading gradually decreased. In the face of the severe market environment, the Group continued to adopt a more conservative defensive strategy, expanded the bond agency trading business, continued to reduce the portfolio size, significantly increased the overall position ratio of investment-grade bonds, dispersed the regional distribution of portfolios, effectively hedged interest rate risks, and reduced the volatility of portfolio income. During the period under review, the Group expanded macro transactions such as foreign exchange and interest rates, and promoted the development of CDS products to meet the diversified investment needs of clients with more diversified product lines. Through the transition to agency trading, the Group's fixed income sales rose against the market. During the period under review, the trading volume of bonds agency trading reached US$2.55 billion, representing a year-on-year increase of 59%, and expanded to over 400 domestic and international investors. In addition, the Group vigorously carried out foreign exchange transactions, note issuance and other businesses to further enrich products and expand customer coverage.

During the year under review, the financial product team continued to control the risks of existing projects under complicated and volatile market conditions, and also promoted the steady growth of notes, share options and treasury bonds futures and other businesses, creating new revenue growth points. Additionally, the team also proactively balanced the customer base structure and devoted itself to designing products to meet the different product needs of each customer base.

During the year under review, the institutional services and trading business recorded a revenue of HK$20 million from investment business, representing a year-on-year increase of 284%.

In respect of equity trading, major overseas stock markets showed an upward momentum during the year under review, except that the mainland market and Hong Kong market fluctuated downward. In the face of the complex investment environment, the revenue from the Group's equity trading business grew by 13% year-on-year to HK$107 million. Accommodating the market condition and business development needs, the team of institutional sales, trading and corporate relations focused on serving key clients, actively exploring new clients, and providing clients with more diversified and comprehensive research resources, broadening the institutional business product lines, optimising customer trading experience and improving customer stickiness by trading system upgrades, organizing corporate and analyst exchange events and deepening collaboration with domestic and international teams. The equity sales and trading team will further consolidate the fundamental of institutional spot bond business, increase coverage of Chinese and foreign long-term and hedge funds in Hong Kong, penetrate into the client scoring system with in-depth industry research on A-shares, explore the Asia-Pacific, Europe, US and other overseas stock markets, and strengthen the innovation of business model and service system. The equity sales and trading team will identify in-depth business synergy opportunities, cooperate with other business teams to provide clients with diversified, professional and differentiated comprehensive services.

REVIEW OF OPERATIONS *(Cont'd)*

Asset Management Business

The asset management business mainly provides public fund management, private fund management, investment advisory and discretionary managed account services.

	2023 HK$'000	2022 HK$'000	%
Fee and commission income	18,377	18,679	(2%)

In 2023, due to complex changes in the external environment and shrinking business demand, the overall market scale has been shrinking, and fund raising has become more difficult. The Group has made steady progress, accelerated the pace of product issuance, strictly managed investment risks, and the AUM under actively managed funds continued to grow. However, due to the closure of some passively managed funds, the fee and commission income from the asset management business decreased slightly. In 2023, guided by regulatory policies, the Group comprehensively promoted layout optimisation and business model upgrading. Under the principle of upholding the bottom line of compliance and risk, the Group focused on enhancing the acquisition ability of high-quality projects, develop ability of high-quality strategies and fundraising ability for clients. On the basis of sustainable development of cross-border business, the Group expanded product richness and explored the breakthrough of differentiated competition through private equity and innovative business.

In respect of cross-border business, the Group continuously improved the business efficiency, actively seized market share, and consolidated and enhanced the cross-border business brand awareness; in terms of private equity business, the Group continued to deepen and focus on exploring high-quality enterprises in industries such as new energy, integrated circuits and medical technology, and focused on developing new business scenarios; and in terms of alternative business, the Group focused on promoting investment strategies such as FOF strategy of renowned hedge funds in the world, valuation system strategy of socialism with Chinese characteristics and direct investment mode of inter-bank bond market, and provided clients with diversified and personalised global allocation investment strategies.

CAPITAL STRUCTURE

As at 31 December 2023, the total number of the issued ordinary shares was 1,561,138,689 shares and total equity attributable to ordinary equity holders was approximately HK$2.790 billion (31 December 2022: HK$2.960 billion).

DEBENTURES ISSUED

On 27 January 2022, the Company issued unsecured and unguaranteed bonds in a principal amount of US$200 million which was listed on The Stock Exchange of Hong Kong Limited. The bond carried a fixed interest rate of 1.5% per annum with a maturity period of 364 days. Please refer to the Company's announcements on 21, 27 and 28 January 2022 for details of the bonds.

The unsecured and unguaranteed bonds were redeemed and cancelled on 26 January 2023 in accordance with the terms and conditions of the unsecured and unguaranteed bonds.

TREASURY POLICIES

The Group generally finances its business operations with internally generated cash flow and bank borrowings. The majority of Group's banking facilities is renewable on a yearly basis and is on floating interest rates basis. In addition, it has been the policy of the Group to maintain adequate liquidity at all times to meet its liabilities as and when they fall due.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2023, the Group had a cash holding of HK$1,287 million (2022: HK$1,238 million) and financial assets at fair value through profit or loss of HK$3,663 million (2022: HK$3,739 million). As at 31 December 2023, the Group's total unutilised banking facilities amounted to HK$8,001 million (2022: HK$9,381 million), of which HK$8,001 million (2022: HK$9,381 million) could be drawn down without the need of notice period or completion of condition precedent.

As at 31 December 2023, the Group had outstanding short-term bank borrowings, notes issued and bond issued amounting to HK$234 million (2022: HK$1,489 million), HK$417 million (2022: HK$818 million) and HK$nil million (2022: HK$1,559 million) respectively. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2023 were 124% (2022: 118%) and 23% (2022: 50%) respectively.

The Group has sufficient financial resources for its day to day operations as well as spare capacity to take advantage of any investment opportunities when they arise.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group did not hold any significant investment and did not have any material acquisition or disposal.

CHARGES ON THE GROUP'S ASSET

No asset of the Group was subject to any charge as at 31 December 2023.

RISK MANAGEMENT

The Group has properly put in place credit management policies which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to eliminate any risk that the Group may encounter. As at 31 December 2023, the advances to customers were overdue accounts receivable from cash clients, margin financing and structured products.

As at 31 December 2023, the balance of accounts receivable from cash clients and margin financing measured at fair value through profit or loss amounted to HK$22 million (2022: HK$39 million) and HK$1,074 million (2022: HK$1,309 million), respectively.

42% (2022: 35%) of margin financing was attributable to corporate customers with the rest attributable to individual customers.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's principal operations are transacted and recorded in Hong Kong dollar and US dollar. The Group is not exposed to material foreign exchange risk because Hong Kong dollar is pegged with US dollar. Other foreign currency exposure is relatively minimal to its total assets and liabilities. The Group has endeavored to closely monitor its foreign currency positions and take measures when necessary.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of "Future Plan & Prospects", the Group had no other future plans for material investments or capital assets as at 31 December 2023.

EMPLOYEES

As at 31 December 2023, the total number of full-time employees was 283 (2022: 315). The total staff costs for the year amounted to approximately HK$249 million (2022: HK$298 million).

The Group maintains policies for the recruitment, compensation, promotion and training of staff. Pay surveys are conducted periodically by independent consultants appointed by the Group to maintain the Group's competitiveness in the market. With reference to market conditions, the Group will formulate relevant and proper remuneration and incentive plans to attract and retain talent. The Group supports equal opportunities and recruits competent candidates globally.

1. ABOUT THIS REPORT

The Group came and commenced business in the financial industry of Hong Kong in 1993. Our continuous development since then are not possible without the past unfailing contribution and support from our stakeholders, including shareholders, employees, customers and suppliers. Our sustainable development in future will also continue to rest on these valued stakeholders. Their concerns are also our concerns. We have been working hard on social and governance issues in the past few years. As environmental issues and climate change become imminent global concerns too, we shall continue to address them in this report each year.

We need to run our business in a responsible and sustainable way, by taking into account the long-term impact of environmental, social and governance ("ESG") issues on our company, our people, our supply chains, the communities and environment in which we and our customers work and live.

In this report, you will find out how we identify important ESG issues, how we formulate initiatives to minimize the impact of these ESG issues, and how we measure our performance against pre-set quantitative goals wherever appropriate and necessary.

The reporting period is from 1 January 2023 to 31 December 2023 (the "Reporting Period").

1.1 Principles of Reporting

The following principles have been adopted in the preparation of this Report:

Materiality: This Report covers ESG information that the Group considers important, and the ESG Committee has conducted screening and materiality assessment in order to identify the material ESG issues.

Quantitative: This Report provides the relevant calculation criteria, methods as well as assumptions used in preparing the quantifiable key performance indicators have been disclosed appropriately.

Consistency: Unless otherwise specified, the Group has applied consistent statistics compilation methods to prepare and disclose the ESG data for comparison by readers.

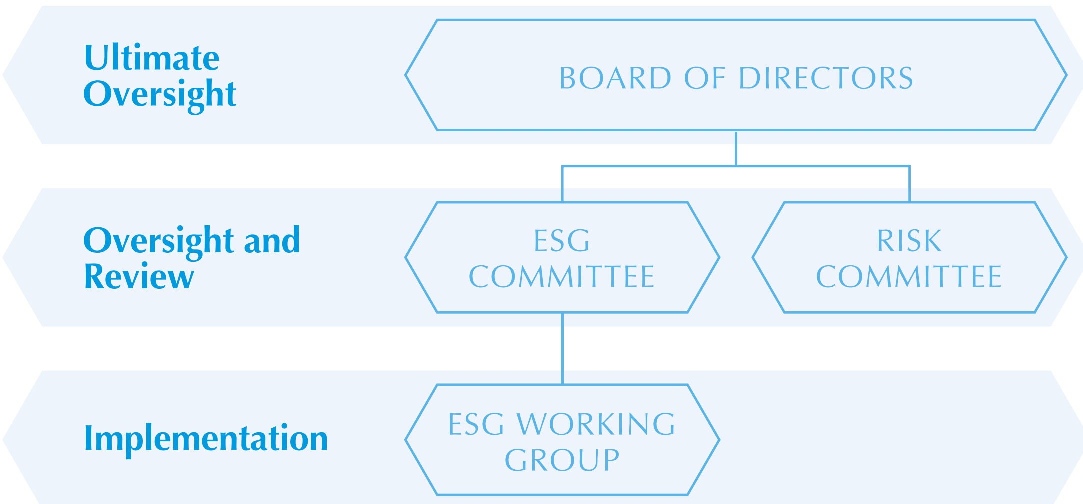
1.2 Reporting Boundary

Unless otherwise specified, the scope of this Report covers the operations of the Company and its subsidiaries (with the exception of those Segregated Portfolio Companies and overseas representative offices) in their offices located in Hong Kong, including brokerage business, corporate finance business, asset management business, financing and loans business, and investment and other business. The respective assets under management ("AUM") and scale of operation of the Segregated Portfolio Companies and overseas representative offices are small as compared with those of the Group. The Group will consider expanding the scope of this Report when necessary.

2. HOW WE APPROACH ESG CONCERNS

2.1 Governance Structure

The board of directors (the "Board") of the Company took the initiatives to delegate different level of taskforces specialized in handling ESG related matters and established the following ESG governance structure:



The Board has overall responsibility for the oversight of the Group's ESG-related issues. It delegates the ESG Committee to oversee and review important strategies and policies. The ESG Committee is currently composed of three executive directors and two independent non-executive directors.

An ESG Working Group is formed to implement and execute the Group's ESG-related strategies and policies. It is composed of heads of related functional departments.

ESG-related risks have been included into the Group's risk management system. The Risk Committee is responsible for identifying and reviewing from time to time the ESG-related risks, to ensure the Group has appropriate and effective risk management and internal control systems. ReviewReview

2.2 Identification of Material Issues

There are vast numbers of ESG issues require the world to deal with urgently. With limited resources, the Group prioritized those issues which are material and relevant to us and our stakeholders. In 2023, based on (i) results of ESG materiality assessment in 2021; (ii) Appendix C2 of the Hong Kong Listing Rules, the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide"); (iii) the Sustainability Accounting Standards Board's Materiality Map®; (iv) industry trends; (v) peer benchmarking; (vi) opinions of stakeholders of the Group; (vii) the Group's ESG approach, corporate values and development strategies, etc.; and (viii) impact of those relevant issues on our business and our stakeholders, we have reviewed, assessed, evaluated and identified the following 18 ESG issues (including those 4 issues, namely, Fair and Responsible Marketing Communication and Information, Client Information Security, Employee Benefits, and Compliance with Laws and Regulations, which were confirmed by the Board in 2021 as "material ESG issues" for the coming years) that are considered material and significant to us and our stakeholders during the Reporting Period:

Area	ESG Issues	
Environmental	**1.**	Greenhouse Gas Emissions
	2.	Energy Consumption
	3.	Water Consumption
	4.	Paper Consumption and Disposal
	5.	Hazardous Waste
	6.	Climate Change Risk and Mitigation
Workforce	**7.**	Employee Composition
	8.	Employee Benefits
	9.	Health and Safety
	10.	Development and Training
	11.	Labour Standards
Operating Practices	**12.**	Supply Chain Management
	13.	Fair and Responsible Marketing Communication and Information
	14.	Client Information Security
	15.	Product Responsibility
	16.	Compliance with Laws and Regulations
	17.	Anti-corruption
Community	**18.**	Social Services

In the following Chapter 3: Our Environment, Chapter 4: Our Workforce, Chapter 5: Operating Practices and Chapter 6: Our Community, we shall list out the abovementioned ESG issues one by one and then report how we formulate initiatives to minimize the impact of these ESG issues and measure our performance against pre-set quantitative goals wherever appropriate and necessary.

3. OUR ENVIRONMENT

In 2023, the Group committed to manage its operations in an efficient and sustainable manner, and we continually look for opportunities to improve our environmental performance by reducing our use of energy and other resources.

Being a financial services institution, our direct environmental impacts overwhelmingly result from energy use and associated greenhouse gas ("GHG") emissions by our offices. Other environmental impacts result from the use of company car, paper consumption and disposal of information technology ("IT") equipment.

In 2022, the Board has set a mid-term (2022-2025) emission reduction and energy savings targets for the Group ("2022-2025 Reduction Targets") so as to enable us to plan and promote our works and initiatives in an orderly manner, which include:

- to reduce its direct GHG emissions generated by the company car by 15% by the end of 2025 compared with that by the end of 2019, which means that the direct GHG emissions generated by company car will be reduced to 12.48 tonnes by the end of 2025;
- to reduce its indirect GHG emissions generated by electricity consumption per unit floor area/ per capita by 15% by the end of 2025 compared with that by the end of 2021, which means that the indirect GHG emissions generated by electricity consumption per unit floor area and per capita will be reduced to 0.12 tonnes and 1.24 tonnes respectively by the end of 2025;
- to reduce its energy consumption per unit floor area/per capita by 15% by the end of 2025 compared with that by the end of 2021, which means that the energy consumption per unit floor area and per capita will be reduced to 0.18 MWh and 1.84 MWh respectively by the end of 2025; and
- to reduce its paper consumption per capita by 15% by the end of 2025 compared with that by the end of 2021, which means that the per capita paper consumption will be reduced to 0.019 tonnes by the end of 2025.

3.1 Efficient Use of Resources and Waste Management

3.1.1GHG Emissions

Our Group generates GHG directly through the company car and indirectly through electricity and paper consumption in our office facilities. We have committed to reduce our GHG emissions through regular monitoring the Group's energy consumption, identifying areas of energy reduction, and providing energy consumption reports to all departments to encourage emission reductions.

In 2023, we encouraged our employees to frequently use the video conferencing system to reduce the use of company cars, resulted in the direct GHG emissions generated by the Group's company car amounted to 4.89 tonnes of carbon dioxide[1], approximately 14.5% decrease from last year.

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[1] Calculated on the basis of the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for buildings in Hong Kong", as drawn up by the Electrical and Mechanical Services Department and the Environmental Protection Department.

For indirect GHG emissions generated by the Group's electricity consumption amounted to 501.32 tonnes of carbon dioxide[1], representing a reduction of 8.89% compared with 2022. The indirect GHG emissions generated by electricity consumption per employee amounted to 1.23 tonnes, representing a reduction of 2.85% compared with 2022. The indirect GHG emissions generated by electricity consumption per unit amounted to 0.117 tonnes of carbon dioxide, representing an increase of 14% compared with 2022. On the other hand, the indirect GHG emissions generated by paper consumption amounted to 16.33 tonnes of carbon dioxide[1], representing a 9% reduction compared with 2022.

GHG Emissions[a,b]	2023	2022	2021
Total GHG emissions[c] (Scope 1 and 2) (tonnes)	**506.21**	555.97	609.20
Total GHG emissions (Scope 1 and 2) per unit floor area (tonnes/m²)	**0.118**	0.104	0.142
Total GHG emissions (Scope 1 and 2) per employee (tonnes/employee)	**1.25**	1.28	1.48
Total GHG emissions (Scope 1, 2 and 3) (tonnes)	**522.54**	573.91	640.50
Total GHG emissions (Scope 1, 2 and 3) per unit floor area (tonnes/m²)	**0.122**	0.108	0.150
Total GHG emissions (Scope 1, 2 and 3) per employee (tonnes/employee)	**1.29**	1.33	1.55
Direct GHG emissions (Scope 1) (tonnes) Company car	**4.89**	5.72	6.00
Indirect GHG emissions (Scope 2) (tonnes) Electricity	**501.32**	550.25	603.20
Indirect GHG emissions (Scope 2) per unit floor area (tonnes/m²)	**0.117**	0.103	0.141
Indirect GHG emissions (Scope 2) per employee (tonnes/employee)	**1.23**	1.27	1.46
Indirect GHG emissions[d] (Scope 3) (tonnes) Paper consumption (deducted recycling of paper)	**16.33**	17.94	31.30
GHG emissions avoided by recycling of paper (tonnes)	**6.82**	13.26	11.66

a Unless otherwise specified, the environmental data covers the Group's operation in Hong Kong region only.

b Due to the Group's business nature, the most significant airborne emissions are GHG emissions, arising mainly from the use of electricity and fuels derived from fossil fuels.

c GHG emissions data is presented in carbon dioxide equivalent and was based on the reporting requirements of the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes Hong Kong)" issued by the Electrical and Mechanical Services Department and the Environment Protection Department in Hong Kong.

d The Group currently does not report on emission data relating to air travel. We plan to disclose this information in future reports.

3.1.2 Energy Consumption

Energy consumption accounts for a major part of the Group's GHG emissions. Various energy saving measures were implemented in 2023 to improve operational efficiency and to reduce energy consumption of the Group. Further to the energy saving measures of 2022, the Group continued to adopt high energy efficient office equipment for its departments and have installed the energy efficient system, such as motion sensor lighting devices in the new office to improve the efficiency of usage of energy.

Energy Consumption[a,e]	**2023**	2022	2021
Total energy consumption[f] (MWh)	**748.89**	797.08	890.15
Total energy consumption per floor area (MWh/m^2)	**0.175**	0.150	0.210
Total energy consumption per employee (MWh/employee)	**1.84**	1.84	2.16

e Energy consumption data is based on the amount of electricity and fuels consumed.

f Energy consumption is calculated in megawatt-hours, or MWh.

3.1.3 Water Consumption

In Hong Kong, the Group operates in leased office premises in which both the water supply and discharge are solely controlled by the building management offices which considers the provision of water withdrawal and discharge data or sub-meter for individual occupant not feasible. As such, our water consumption figures are unable to obtain and be monitored.

3.1.4 Paper Consumption and Disposal

The Group continues to use FSC (Forest Stewardship Council) certified printing paper, i.e. paper made of responsibly sourced wood fibre wherever possible. In 2023, approximately 99% of the paper we used was FSC certified printing paper.

In addition, we encourage our shareholders to access our corporate communications, such as annual reports, interim reports or circulars via our website or The Stock Exchange of Hong Kong Limited's website in support of environmental protection.

The Group continues to strive to reduce the use of paper for statement of clients by encouraging clients to opt for electronic statements instead of paper statements. For office paper, we continue to implement smart printing and photo-copying methods in our workplaces.

In 2023, the office paper consumption amounted to 4.23 tonnes, approximately 24.2% decrease from last year, the office paper consumption per employee amounted to 0.012 tonnes, approximately 20% decrease from last year, while the paper for statement of clients amounted to 0.59 tonnes, approximately 35.9% decrease from last year. These satisfactory results were mainly contributed by our active promotion to encourage clients to opt for electronic statements, and encourage our staff to use office automation (OA) system for internal approval process. On the other front, the waste paper collection for recycling was 1.42 tonnes in 2023.

In 2023, we continued to arrange vendors to collect our used paper for recycle purpose. The Group was awarded the "Wastewise Certificate" issued by the Hong Kong Green Organization Certification (HKGOC) in recognition of our contribution on waste reduction.

In order to achieve the target to increase the total amount of recycle for non-hazardous waste, we have set up waste paper recycling bins for collection of waste paper in each office to encourage colleagues to recycle and turn waste into materials. The vendor will collect the waste paper on a regular basis.

Paper Consumption[a]	**2023**	2022	2021
Total paper consumption[g] (tonnes)	**4.82**	6.50	8.96
Total paper consumption per employee (tonnes/employee)	**0.012**	0.015	0.022
Office paper	**4.23**	5.58	7.30
Paper for statement of clients	**0.59**	0.92	1.66
Recycling of paper	**1.42**	2.76	2.43
FSC certified paper used (%)	**99%**	99%	99%

g Includes paper used for printing paper for statement of clients, proposals and office documents.

In addition, by turning waste into resources, the Company has been encouraging waste separation and recycling, and placed plastic bottles and aluminum cans recycling bins in the office areas, and handed over the collected materials to the building management office for central processing.

3.1.5 Hazardous Waste

No hazardous waste was generated in connection with the Group's business.

However, the use and disposal of IT equipment such as computers and servers is another focus of our operational sustainability efforts. IT hardware has a range of potential environmental impacts across its life cycle from production and use to eventual disposal. The Group has again committed to extend the lifespan of IT equipment by donating the unused equipment to non-profit making organisations. All IT equipment we recycled or donated has passed our strict data security tests. All hardware and software used for business or operational purpose are copyrighted and in accordance with the requirements of protection of intellectual properties.

Going forward, we will adopt different energy and paper conservation measures as well as other initiatives to reduce GHG emissions and non-hazardous wastes.

3.2 Climate Change Risk and Mitigation

The climate change risk that the Group is exposed to is overwhelmingly transformation risk. From now on towards 2060, major global economies will make tremendous efforts to strive for carbon neutrality. It means very significant changes going to take place in a lot of areas such as regulatory requirements, shift from fossil based energy consumption, technology developments and industry practices. The extent of these changes may not been seen in human history. The impact on our real economy and financial markets may also be huge and cannot afford to be underestimated. For example, high-carbon emitting industry will suffer from higher production and compliance cost, resulting in lower return and asset devaluation. As investment and lending are two of the principal businesses of the Group, the Group will enhance its analysis on climate change risks as one of the prioritized objectives in its risk management agenda. Moreover, it will endeavor to monitor and evaluate the impact on the financial position of the Group brought along by the climate change.

To address climate change, we will step up efforts in green finance. The Group continues to incorporate material ESG risks considerations into the decision-making process for investment or lending or other business activities. It will put more emphasis on green and low-carbon industries. The green and low-carbon industries including clean energy, low carbon technology, green building, green traffic and transformation of high-carbon industry to a low one will be our focus.

As at the end of 2023, the Group holds 5 green bonds for approximately HK$106 million equivalent and launched 2 green investment fund products, with total Asset under Management amount over HK$400 million.

4. OUR WORKFORCE

4.1 Employee Composition

The Group maintains policies for the recruitment, compensation, promotion and training of staff. Pay surveys are conducted periodically by independent consultants appointed by the Group to maintain the Group's competitiveness in the market. With reference to market conditions, the Group will formulate relevant and proper remuneration and incentive plans to attract and retain talent. The Group supports equal opportunities and recruits competent candidates globally.

Employees Composition	2023	2022	2021
Total number of employees[h]	**283**	315	303
By gender			
Female	**134**	150	147
Male	**149**	165	156
By employment type			
Full-time	**283**	315	303
Part-time	**0**	0	0
Temporary	**0**	0	0
By age group			
Below 30	**38**	57	51
30 to 50	**214**	227	216
Over 50	**31**	31	36
By region			
Hong Kong	**260**	282	277
Chinese Mainland	**14**	24	19
Others	**9**	9	7
Number and rate (%) of employee turnover	**26%**	36%	28%
By gender			
Female	**28%**	31%	26%
Male	**25%**	42%	30%
By age group			
Below 30	**23%**	39%	42%
30 to 50	**25%**	36%	28%
Over 50	**43%**	34%	8%
By region			
Hong Kong	**28%**	38%	30%
Chinese Mainland	**7%**	9%	0%
Others	**19%**	75%	20%

h Total number of employees includes employees stationed in Hong Kong, Chinese Mainland and other regions.

4.2 Employee Benefits

The Group shows great concerns on employees' remuneration and benefit package, pay and benefit surveys are conducted periodically by independent consultants appointed by the Group to maintain the Group's competitiveness in the market. With reference to market conditions, the Group will formulate relevant and proper remuneration and incentive plans to attract and retain talent.

The Group has formulated employee dismissal or voluntary termination policy which is stipulated in our HR Policies and Procedural Manual. The policy strictly complies with the termination/dismissal requirements of Employment Ordinance in Hong Kong.

Employee performance review is an important part of the Group's talent development. The Group will conduct performance review for each employee every year. The result will be an important factor for formulating employees' incentive plan, learning & development, promotion and retention of talents.

The Group cares employees' opinion, it encourages employees to express their opinions at work to promote effective and two-way communication channels. In addition, the Group regularly holds team building activities, to increase communication channels between the Group and its employees, and to enhance their sense of belonging towards the Group.

4.3 Health and Safety

The Group is committed to providing a healthy and appropriate workplace for employees. We conducted an assessment on our offices with regard to the "Code of Practice for Working with Display Screen Equipment" in order to ensure compliance with the "Occupational Safety and Health (Display Screen Equipment) Regulations".

With the subsiding of the COVID-19 pandemic, the Group is still aware of the importance of the health of employees. The Group has taken ongoing measures to reinforce the health and safety precautions in the offices, to ensure its employees to work in a health and safety workplace.

Health and Safety	2023	2022	2021
Number of work-related fatalities	0	0	0
Rate (%) of work-related fatalities	0%	0%	0%
Number of lost days due to work injury	0	0	0

4.4 Development and Training

Development and training is an ongoing process to ensure the continued enhancement of the skills and knowledge of employees. The Group has training policies and organises various training programmes to improve the skills of its employees and to increase the professionalism and efficiency of the Group. Employees are provided with on-the-job training throughout their employment with the Group. The Group also has policies for employee development. In compliance with the requirements of the Securities and Futures Commission, the Group organised a total of 31 Continuous Professional Training seminars for all licensed staff members for the year ended 31 December 2023.

Development and Training	2023	2022	2021
Total number of employees who receiving training	**242**	294	303
Total number of hours of training received by employees	**48.95**	28.5	25
Average hours of training per employee and percentage (%) of employees who receiving training	**14**	10.5	12.0
	100%	100%	100%
By gender			
Female	**98**	120	147
Male	**144**	174	156
By employee category			
Management	**4**	5	7
General	**238**	289	296

4.5 Labour Standards

To maintain good employee relations, the Group is committed to providing a workplace free from discrimination and harassment in any form and to providing equal opportunities for all employees. All employees are made aware of the Group's employment policies and guidelines, which are in compliance with relevant laws and regulations. Staff regulations, employment terms and staff benefits can be accessed by all staff members in the Human Resources Manual put on the Group's intranet.

The Group regularly reviews its recruitment practices to ensure complying with the Employment Ordinance and other regulations on child and forced labor. As at 31 December 2023, the Group has no relevant issue.

5. OPERATING PRACTICES

5.1 Supply Chain Management

The Group selects reliable vendors, agencies and third party financial institutions (each a "Supplier" and collectively, the "Suppliers") to support its business operations, and is committed as much as possible to conducting business only with Suppliers that act in a socially responsible manner and within ethical expectations. The Group will take into account, among other things, reputation, track record of high corporate standards, expertise and capacity in the process of selecting the qualified Supplier. In addition, appropriate management approval is required to obtain before entering into any contracts with a Supplier. Such procedures aim at promoting operational efficiency, implementing segregation of duties and to ensure making the best decision.

The Group adopts the Authorized Vendor Evaluation Procedures to establish the cooperative partnership with Suppliers. Those Suppliers who provide environmentally friendly products, or operate their business in an environmentally friendly manner, will become one of our evaluation criteria. In the vendor selection process, only approved Suppliers can participate in tender or quotation exercises, and all authorized vendors will be assessed by the vendor evaluation regularly.

Moreover, in order to reduce the negative impacts on the environment and society, the Group will purchase and use more sustainable and efficient products and services. For example, we will procure the electrical appliances with higher energy efficiency and eco-friendly toner cartridges. Those Suppliers with environmental certifications or caring company qualifications will win priority consideration.

Supply Chain Management	2023	2022	2021
Number of key suppliers[i]	**237**	258	207
By region			
Hong Kong	**162**	170	142
Chinese Mainland	**26**	23	10
Others	**49**	65	55

i The definition of "key suppliers" refers to suppliers of products and/or services to the Group whose contract sum exceeded HK$1,000 (or its equivalent).

5.2 Responsibilities Towards Products and Services

5.2.1 Fair and Responsible Marketing Communication and Information

As a financial business operator, the Group's objective is to provide transparent and unbiased disclosure in our products and services to customers, which is in line with the regulatory requirements and market practices.

Prior to tendering products or services, staff shall study the relevant product materials and documents, and clearly understood the structure and risks associated with the product. These materials and information must be clearly communicated to customers before accepting the orders. Also, staff shall ensure the suitability of the recommendation or solicitation for the customer is reasonable in all the circumstances.

All fees and charges relating to securities services are clearly disclosed on the Company's website and in the relevant documents. Other required disclosure such as risk disclosure statements and conflict of interests (if any) as well as marketing materials on the products or services are reviewed by the Legal Department and the Compliance Department to ensure accuracy and reliability.

These procedures, from preparation of marketing materials and relevant documents to accepting customers' orders, are set out in our internal policies and guidelines, and in line with the regulatory requirements.

The Group has various means of communication channels to manage customers' enquiries, such as a toll-free customer service hotline and FAQs on operational matters on its website. Any complaint lodged will be handled by the Compliance Department and it will conduct investigation if necessary. Complaint with material regulatory compliance implication, if any, will be assessed and referred to relevant regulatory authorities for further investigation.

5.2.2Client Information Security

The Group attaches great importance to data and information security, continues to improve and enhance the physical security and network security of information systems, and always applies information security strategies to all aspects of information system planning, development, and operation.

1. Establish a comprehensive enterprise information security system: The Group continues to carry out information technology construction development, covering various businesses, control processes and links, and has implemented data security links among each system through integration to ensure data security during collection, storage, transmission, processing and use. At the same time, the Group actively promotes the planning, design and implementation of information security and also establishes a complete information security system by formulating information security policies, policies on the use of end-user computers and operating regulations for various systems.

2. Establish a comprehensive information security technology system: The Group adopts intelligent security protection devices and mechanisms for automatic detection of threats and enhances lower layer network security through infrastructure construction such as intrusion detection, security prevention and physical isolation; increases the security audit level by strengthening user authentication, authorization and audit security granularity; and continuously optimizes the Group's information security management system to ensure effective implementation. Through the centralized information security technology control mechanism, we have strengthened the security protection of customers' personal sensitive information, prevented external malicious intrusion, reduced information security risks and protected the security of the Group's information systems and information assets.

3. Establish a comprehensive emergency response mechanism: Developing a detailed emergency response plan, including monitoring, reporting, assessment and arrangement, establish an emergency response team, and conduct regular training and drills for the quick and effective responses, in order to minimizing the impact on customers when information security incidents occur.

4. Enhance staff's awareness on information security: The Group regularly conducts network security training and assessment for staff to enhance their understanding and awareness of network security risks.

5.2.3 Product Responsibility

During the year, the Group was not aware of any incidents of non-compliance with relevant regulations and codes concerning advertising and privacy matter for the provision and use of the Group's products and services.

The Group has in place procedures relating to the services and products provided. To suit the client's needs, the financial services or products provided to clients are based on their financial background, trading experience and risk tolerance level after the "Know Your Clients" procedures and assessment processes were performed. We are committed to providing clear and balanced information to clients. Product features, terms and conditions, and any associated risks are clearly communicated to ensure clients can make an informed decision. Moreover, the Group has set standards for advertising and sales literature which require information contained in all advertising and sales literature must be factual and which prohibit the use of false, misleading or inaccurate statements in any forms of communication.

In addition, the Group emphasises the importance of protecting the privacy of its clients and complies with the provisions of the Personal Data (Privacy) Ordinance in the collection, processing and use of client's personal data. Specific processes for the handling and protection of client data are set out in the relevant internal procedure manual. The Group will, where appropriate, include terms about the confidentiality of client data to avoid disclosure of client information and protect client privacy. During the year, the Group did not receive complaints from clients in relation to disclosure of information.

The Group has established policies to provide guidance to customer complaints handling procedures. At present, the Compliance Department is responsible for handling customer complaints.

Product Responsibility	**2023**	2022	2021
Number of complaint(s) handled	**1**	2	1

5.3 Compliance with Laws and Regulations

5.3.1 General

The Group recognises that compliance with applicable laws and regulations with regard to the ESG issues are of great importance to its operations and the Group is also aware that any breaches of laws and regulations would have a significant impact on the operations, performance, financial position and reputation of the Group. Hence, the Group has in place stringent internal policies and monitoring measures to ensure compliance with applicable laws and regulations. The Group also keeps abreast of the latest regulatory development and provides relevant trainings for relevant staff and employees from time to time.

During 2023, the Group was not aware of any material breach, infringement of or non-compliance with, the applicable laws and regulations that have a significant impact on the businesses and operation of the Group.

5.3.2 Anti-corruption

The Group maintains and effectively implements a comprehensive system of internal control and stringent policies, which include Compliance Manual and Whistleblowing Policy, for anti-corruption and anti-fraud, and is committed to promoting integrity and preventing unethical behaviour. We encourage the reporting of suspected business irregularities by providing easily accessible channels specifically for this purpose.

When suspected wrongdoings are identified, such as bribery or corruption, malpractice, or fraud relating to financial matters, staff and those deal with the Group can report to the Chairman of Audit Committee or Head of Internal Audit for investigation and resolution. The Internal Audit Department will then carry out an investigation and verification, and report to the regulator or law enforcement authority when considered necessary.

Moreover, the Group has policy sets forth procedures for client's acceptance by conducting "Know Your Clients" procedures to understand the background and financial status of the clients. We will perform name searches to check whether a client is or is related to a politically exposed person who may present a higher bribery and corruption risk. Procedures are put in place to identify and mitigate the aforementioned risks. Clients will be refused of our services when considered to be suspicious.

The Group is committed to adhering to the highest ethical standards. During the year, no significant risks relating to corruption were identified. There were no confirmed incidents of corruption or public legal cases brought against the Group or its employees concerning corruption. The Group will continue to comply with ethical requirements and upholds its reputation to prevent corruption.

During the year, the Group has provided anti-corruption training covering relevant anti-corruption legislations to the board of directors and staff.

Anti-Corruption	2023	2022	2021
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees	**0**	0	0

6. OUR COMMUNITY

6.1 Social Services

In terms of community involvement, the Group is committed to contributing to the community and fulfilling its corporate social responsibility undertakings. We support long-term community investment by establishing community partnerships and supporting lower-income families.

In 2023, the Group continued its cooperation with Chinese Young Men's Christian Association (YMCA) of Hong Kong, participated in various charitable and care activities, including organizing clay making sessions for the elderly, aiming to provide them with care and support. In addition, we organized a mooncake making activity for low-income families, enabling them to celebrate the Mid-Autumn Festival while promoting children's appreciation for traditional festival culture and fostering meaningful connections between parents and children.

We hope not only to help people in need through our social activities, but also to cultivate in our employees the spirit of care and community contribution.

In 2023, the Group was awarded the "10 Years Plus Caring Company" designation by the Hong Kong Council of Social Service in recognition of our approach and continuous contribution to the society, people's livelihood and environment.

Going forward, we will continue to join charitable events for helping people in need as well as environmental purpose.

Community Engagement	2023	2022	2021
Sponsorships and donations (HK$)	**19,600**	18,800	18,900
Number of employees volunteering hours	**0**	0	0
Number of employees volunteering leave days taken	**0**	0	0

7. ESG REPORTING GUIDE CONTENT INDEX

Aspects, general disclosures and KPIs	Description	Section/Statement	Page Number
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	The Group is not aware of any material non- compliance with the relevant laws and regulations that have a significant impact on the Group during the reporting period.	16-19
KPI A1.1	The types of emissions and respective emissions data.	3.1.1 GHG Emissions	16-17
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1.1 GHG Emissions	16-17
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group does not produce any hazardous waste from its operations.	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1.4 Paper Consumption and Disposal	18-19
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	3. Our Environment 3.1.1 GHG Emissions	16 16-17
KPI 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.	3. Our Environment 3.1.4 Paper Consumption and Disposal 3.1.5 Hazardous Waste 5.1 Supply Chain Management	16 18-19 19 24

Aspects, general disclosures and KPIs	Description	Section/Statement	Page Number
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3. Our Environment 5.1 Supply Chain Management	16-19 24
KPI 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).	3.1.2 Energy Consumption	18
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	The Group operates in leased office premises of which both the water supply and discharge are solely controlled by the respective building management which considers the provision of water withdrawal and discharge data or sub-meter for individual occupant not feasible.	Not applicable
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	3. Our Environment 3.1.2 Energy Consumption	16 18
KPI 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.	Not applicable to the Group's business	Not applicable
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable to the Group's business	Not applicable

Aspects, general disclosures and KPIs	Description	Section/Statement		Page Number
Aspect A3: Environment and Natural Resources				
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	3. 5.1	Our Environment Supply Chain Management	16-19 24
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. 5.1	Our Environment Supply Chain Management	16-19 24
Aspect 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.	3.2	Climate Change Risk and Mitigation	20
KPI 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.	3.2	Climate Change Risk and Mitigation	20

Aspects, general disclosures and KPIs	Description	Section/Statement		Page Number
Aspect B1: Employment				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 4.2	Employee Composition Employee benefits	20-21 22
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1	Employee Composition	20-21
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1	Employee Composition	20-21
Aspect B2: Health and Safety				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3	Health and Safety	22
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.3	Health and Safety	22
KPI B2.2	Lost days due to work injury.	4.3	Health and Safety	22
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.3	Health and Safety	22

Aspects, general disclosures and KPIs	Description	Section/Statement		Page Number
Aspect B3: Development and Training				
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.4	Development and Training	23
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.4	Development and Training	23
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.4	Development and Training	23
Aspect B4: Labour Standards				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.5	Labour Standards	23
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.5	Labour Standards	23
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.5	Labour Standards	23

Aspects, general disclosures and KPIs	Description	Section/Statement		Page Number
Aspect B5: Supply Chain Management				
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1	Supply Chain Management	24
KPI B5.1	Number of suppliers by geographical region.	5.1	Supply Chain Management	24
KPI 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.	5.1	Supply Chain Management	24
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1	Supply Chain Management	24
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1	Supply Chain Management	24

Aspects, general disclosures and KPIs	Description	Section/Statement	Page Number
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.2 Responsibilities Towards Products and Services	25-27
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group does not manufacture and sell any physical products that may cause safety or health problems.	Not Applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	5.2.1 Fair and Responsible Marketing Communication and Information 5.2.3 Product Responsibility	25 27
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.1.5 Hazardous Waste 5.3.1 General	19 28
KPI B6.4	Description of quality assurance process and recall procedures	The Group does not produce and sell any physical products that can be recycled.	Not Applicable
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.2.2 Client Information Security 5.2.3 Product Responsibility	26 27

Aspects, general disclosures and KPIs	Description	Section/Statement	Page Number
Aspect B7: Anti-Corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.3.2 Anti-corruption	28-29
KPI 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.	5.3.2 Anti-corruption	28-29
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.3.2 Anti-corruption	28-29
KPI B7.3	Description of anti-corruption training provided to directors and staff.	5.3 Compliance with Laws and Regulations	28-29
Aspect 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.	6.1 Social Services	29
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1 Social Services	29
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6.1 Social Services	29

CORPORATE GOVERNANCE REPORT

To improve the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. The Company has met all applicable code provisions as set out in Part 2 of the Corporate Governance Code (the "Code") contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRINCIPLES AND SWHYHK'S PRACTICES

A.1 Corporate strategy, business model and culture

Principle: An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

The Company is committed to becoming an integrated financial services provider with market recognition and international competitiveness, which is underpinned by the core values of acting lawfully, ethically and responsibly to operate its business so as to generate sustainable long-term value for shareholders of the Company. To this end, the Company will maintain a high standard of corporate governance through lean management such as effective risk and compliance management, organization and system construction, and process optimization. The Company believes that good corporate governance is the core foundation of the Company's sound management, all Directors must act with integrity, lead by example, leading the management and all employees to adhere to the business philosophy of law-abiding, honest and responsible, to promote the steady development of the core businesses, and achieve a sustainable business culture.

A discussion and analysis of the Group's performance, the explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives are set out in the section headed "Chairman's Statement" and "Management Discussion & Analysis of Performance" on pages 3 to 4 and pages 5 to 13 respectively in this annual report.

A.2 Corporate Governance Functions

Principle: The board is responsible for performing the corporate governance duties. It may delegate the responsibility to a committee or committees.

The board of directors (the "Board") of the Company has delegated the responsibility for performing corporate governance functions to the Audit Committee with the following duties:

(1) to develop and review the Company's policies and practices on corporate governance which is related to internal audit matters and make recommendations to the Board;

(2) to review and monitor the training and continuous professional development of directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

B.1 Board composition, succession and evaluation

Principle: The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business, and should ensure that the directors devote sufficient time and make contributions to the issuer that are commensurate with their role and board responsibilities. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

During the financial year, the composition of the Board of the Company with their respective names and titles are set out below:

Executive Directors
Wu Meng *(Chairman)*
Zhang Jian *(resigned on 20 October 2023)*
Tan Weijun *(appointed on 24 March 2023)*
Liang Jun *(Chief Executive Officer)*
Hu Jing

Non-executive Director
Zhang Lei
Ren Xiaotao *(appointed on 20 October 2023)*

Independent Non-executive Directors
Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Chen Liqiang *(resigned on 5 March 2024)*

All directors were expressly identified by categories of executive directors, non-executive directors and independent non-executive directors in all corporate communications that disclose the names of directors of the Company.

An updated list of the directors of the Company identifying their roles and function and whether they are independent non-executive directors is maintained on the websites of the Hong Kong Exchanges and Clearing Limited ("HKEx") and the Company.

To the best knowledge of the directors, none of the directors has any financial, business, family or other material/relevant relationship with each other.

The Company had in place a mechanism which remain effective to ensure independent views and input are available to the Board, as set out below:

1. During the financial year, the Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors.

2. Independent non-executive directors will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views and input are available.

3. The Chairman of the Board shall hold an annual meeting with all independent non-executive directors without the presence of other directors to listen independent views on various issues concerning the Group.

4. Each Independent Non-executive Director is required to confirm in writing to The Stock Exchange of Hong Kong Limited his independence upon his appointment and to the Company on annual basis with reference to the criteria under rule 3.13 of the Listing Rules, and the Nomination Committee is delegated to assess the annual independence confirmation received from each Independent Non-executive Director to ensure that they remain independent, objective and free from any interference when exercising their judgement.

5. Each director is required to provide to the Company an annual written confirmation of time commitment as well as the directorship and major commitments held in public companies or organisations for assessment.

6. A director (including independent non-executive director) who has a material interest in any transaction, contract or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

7. All directors are entitled to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B.2 Appointments, re-election and removal

Principle: There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

According to the Articles of Association of the Company, at each annual general meeting, one- third of the Directors for the time being or, if their number is not three or a multiple of three, then number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. Further, any director newly appointed shall hold office only until the next following annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Nomination Committee will make recommendation to the Board on such matter (see B.3 below). The director so appointed, however, shall retire and eligible to be re-elected in the coming annual general meeting. In addition, shareholder can also propose a candidate for election as director at a general meeting in accordance with the Articles of Association of the Company. The nomination procedures by shareholders are published on the website of the Company. All successful candidates must possess the necessary skills, knowledge and experience which can help the Board to direct the Company's business. In addition, all candidates must be able to meet the criteria stipulated in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. To further enhance accountability, any further appointment of an independent non-executive director who has served the Board for more than 9 years will be subject to a separate resolution to be approved by shareholders.

Details of the candidates standing for re-election as directors are set out in the annual general meeting circular to shareholders.

B.3 Nomination Committee

Principle: In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under B.1 and B.2.

The Nomination Committee of the Company was established in March 2012. The functions of the Nomination Committee are mainly to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspective) of the Board, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive directors, to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors as well as to monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy, as appropriate. Details of terms of reference of the Nomination Committee are published on the websites of HKEx and the Company.

The Nomination Committee was provided with sufficient resources to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

The Nomination Committee comprises the Chairman of the Company, Ms. Wu Meng, and two independent non-executive directors, namely Mr. Ng Wing Hang Patrick and Mr. Kwok Lam Kwong Larry. Ms. Wu Meng acts as the chairman of the Nomination Committee.

The Nomination Committee held one meeting in the financial year ended 31 December 2023. The following is an attendance record of the meeting held by the Nomination Committee for the financial year:

Name of Committee Members	Number of meeting(s) attended/held
Wu Meng *(Chairman)*	1/1
Ng Wing Hang Patrick	1/1
Kwok Lam Kwong Larry	1/1
Chen Liqiang (resigned on 5 March 2024)	1/1

During the financial year, the Nomination Committee reviewed the structure, size and composition and diversity of the Board; assessed the independence of each independent non-executive director; and made recommendation to the Board on the re-election of the retiring directors at the 2023 annual general meeting. In addition, the Nomination Committee has resolved by way of written resolutions in March 2023 to make recommendation to the Board on the appointment of Mr. Tan Weijun as Executive Director of the Company, and also has resolved by way of written resolutions in September 2023 to make recommendation to the Board to convene an extraordinary general meeting to appoint Mr. Ren Xiaotao as Non-Executive Director of the Company.

The Nomination Committee considered that there is an urgent need to replenish the vacancy left by the resignation of one of the independent non-executive director. Other than this, the current composition and size of the Board is considered to be appropriate for the time being and of balanced diversity.

The Company adopted the Board Diversity Policy which sets out the approach to achieve diversity on the Board. When determining the composition of the Board, it will take into consideration a number of factors, including but not limited to, skills, knowledge, professional experience, gender, age, cultural and educational background, and other qualities of Directors. All Board appointments will be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

During the year, the Nomination Committee reviewed the diversity of the Board composition and considered that the Directors of the Company have diverse perspectives, educational background and professional knowledge, and the expertise and experience in the securities, finance, corporate finance, accounting and legal industries, all of which are relevant to the Company's business and will contribute to diversity of the Board appropriate to the requirements of the Company's business.

The Company values the diversity of the company personnel, and sees leveraging knowledge, expertise and experience from people of different backgrounds essential to bring in synergies in achieving business success and sustainable corporate development.

We strived to embrace gender balance across all levels in our workforce from board members, senior management to general staff. Ms. Wu Meng has been the first female Chairman of the Board of the Company since October 2021, marking the Company's new direction towards gender diversity. Subsequent to Ms. Wu's appointment, Ms. Yu Lili took up the position as a member of Management Committee in the same year, which was composed of six senior management staff. The Company is making ongoing effort to improve gender diversity and will continue to factor in such criteria as inclusion of various educational backgrounds, genders and ages, etc. in the nomination and selection of Board members. As a result of the Company's continued initiative to promote workforce diversity through our hiring strategies, as at 31 December 2023, the Company maintained quite a balanced ratio of male to female workforce of 53: 47.

In addition, the Company also adopted the Director Nomination Policy which sets out the key selection criteria and procedures of the Nomination Committee in making any recommendations to the Board on the appointment or re-appointment of directors and succession planning of directors with a view to ensuring that the Board maintains a balance of skills, experience and diversity of perspective appropriate to the requirement of the Company's business. In assessing the suitability of a proposed candidate, the Nomination Committee will consider a number of factors which include the proposed candidate's integrity, skills, experience and diversity of perspective, time commitment, and independence. The Director Nomination Policy also lays down the following nomination procedures for (i) appointment of new or replacement Director; (ii) re-election of Director at general meeting; and (iii) nomination of new director by shareholders.

C.1 Responsibilities of directors

Principle: Every director must always know their responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Every newly appointed director of the Company shall receive guidance materials from the Company Secretary upon his appointment so as to enable the director having a proper understanding of the Company's operations and business and to ensure him to be fully aware of his responsibilities under statue and common law, the Listing Rules, applicable legal and other regulatory requirements and the Company's business and governance policies. A director can also request the Company Secretary to arrange him to attend any relevant course and seminar.

The functions of non-executive directors have included the functions as specified in Code Provision C.1.2(a) to (d).

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. The Company made specific enquiry of all directors. According to their replies, all the directors complied with the requirements set out in the Model Code during the financial year ended 31 December 2023. The Company also complied with the other requirements stipulated in the Model Code.

Directors confirmed that they have complied with the Code Provision C.1.4 on directors' training. During the year, the directors have participated in continuous professional development by the following means to develop and refresh their knowledge and skills and provided a record of training to the Company.

Name of Directors	Training Received(Notes)
Executive Directors	
Wu Meng *(Chairman)*	A
Tan Weijun *(appointed on 24 March 2023)*	E
Liang Jun *(Chief Executive Officer)*	A
Hu Jing	A
Non-executive Director	
Zhang Lei	A
Ren Xiaotao *(appointed on 20 October 2023)*	A, E
Independent Non-executive Directors	
Ng Wing Hang Patrick	A
Kwok Lam Kwong Larry	A
Chen Liqiang *(resigned on 5 March 2024)*	A, E

Notes:

A Attending classes and/or seminars and/or forums

B Attending in-house briefings

C Giving talks at classes and/or seminars and/or forums

D Attending training relevant to the Company's business conducted by lawyers

E Reading materials and/or participate in activities relevant to the Company's business or to the directors' duties and responsibilities

Each director is aware that he should give sufficient time and attention to the affairs of the Company. Upon reviewing (i) the annual confirmation of time commitment given by each director as well as the directorship and major commitments of each director held in public companies or organisations; and (ii) the attendance rate of each director on board meetings and committee meetings, it is satisfied that all directors have spent sufficient time in performing their responsibilities during the year.

The Company has arranged appropriate insurance cover in respect of legal actions against its directors. The coverage and the amount insured under such policy are reviewed annually by the Company.

C.2 Chairman and Chief Executive

Principle: There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

To ensure a balance of power and authority, the role of Chairman is separate from that of Chief Executive Officer. Ms. Wu Meng acts as the Chairman and Mr. Liang Jun acts as the Chief Executive Officer.

The respective responsibilities of the Chairman and Chief Executive Officer are clearly established. The Chairman is responsible for providing leadership for and the management of the Board whilst the Chief Executive Officer is responsible for the day-to-day management of the Group's business including the implementation of significant strategies formulated by the Board.

The Chairman ensured that all directors were properly briefed on issues arising at board meetings.

The Chairman is responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.

The Chairman ensured that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Chief Executive Officer and Company Secretary assisted the Chairman in preparing agenda for each board meeting and all directors have been consulted about any matters proposed for inclusion in the agenda.

The Chairman ensured that the Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

Directors are encouraged to express their viewpoints to the Board's affairs and voice their concerns, if any, and are provided sufficient time for discussion of issues in the meetings and the Chairman directs discussions towards the emergence of a consensus view and then sum up discussions so that all directors understand what has been agreed.

During the financial year ended 31 December 2023, the Chairman held a meeting with the independent non-executive directors without the presence of other directors.

The Chairman ensured that appropriate steps are taken to provide effective communication with shareholders and that their views were communicated to the Board as a whole. The Board has established a shareholders communication policy which is available on the Company's website.

C.3 Management functions

Principle: An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Company whilst managing the Company's day-to-day business is the responsibility of the management.

When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the management's powers, in particular, where management shall report back and obtain prior Board approval before making decisions or entering into any commitments on the Company's behalf.

Directors are clearly understood delegation arrangements in place. The Company has issued formal letter of appointment to each director (including non-executive director and independent non-executive director) setting out the key terms and conditions of the appointment.

Matters reserved to be approved by the Board approval include:

(1) Proposal for selection of external auditors;

(2) Financial statements and budgets; and

(3) Formation of board committees.

C.4 Board Committees

Principle: Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

Where board committees are established to deal with matters, the Board shall give them sufficiently clear terms of reference to enable them to perform their functions properly.

Apart from the Audit Committee (particulars are disclosed under D.3), Remuneration Committee (particulars are disclosed under E.1), Nomination Committee (particulars are disclosed under B.3) and Risk Committee (particulars are disclosed under D.2), the Board also established an Executive Committee and a Management Committee with specific terms of reference. The Executive Committee consists of all the executive directors and is responsible for formulating and reviewing the Company's important strategies on business and operations. The Management Committee consists of the Chief Executive Officer, deputy general manager(s) and chief operating officer. The Management Committee will meet from time to time for making policy(ies) relating to the Company's day-to-day management and business. In addition, Risk Committee established a Risk Management Committee with specific terms of reference. Risk Management Committee consists of Chief Executive Officer, chief risk officer, chief operating officer, chief financial officer, director of compliance, and heads of the respective business segments. The Risk Management Committee usually meets quarterly and is responsible for co-ordinating, facilitating important business management related matters and risk management activities.

In addition, the Environmental, Social and Governance ("ESG") Committee was established by the Board on 19 March 2021 to assist the Board in overseeing the Group's ESG-related matters. The ESG Committee is currently composed of three executive directors, being Ms. Wu Meng, Mr. Liang Jun and Mr. Hu Jing, and one independent non-executive directors, being Mr. Kwok Lam Kwong Larry. Ms. Wu Meng acts as the chairman of the ESG Committee.

The ESG Committee held one meeting in the financial year ended 31 December 2023. The following is an attendance record of the meeting held by the ESG Committee for the financial year:

Name of Committee Members	Number of meeting(s) attended/held
Wu Meng *(Chairman)*	1/1
Liang Jun	1/1
Hu Jing	1/1
Kwok Lam Kwong Larry	1/1
Chen Liqiang *(resigned on 5 March 2024)*	1/1

During the financial year, the ESG Committee reviewed the ESG performance of the Group for 2022; reviewed and recommended the Board's approval of the ESG report for 2022; reviewed and recommended the Board's approval of a proposed mid-term (2022-2025) emission reduction and energy savings targets for the Group ("2022-2025 Reduction Targets").

For further details of the Group's ESG-related matters, please refer pages 13 to 37 to the ESG report of this annual report.

The Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee and the ESG Committee are required to report back to the Board on their decisions and recommendations. Material matters will be reported to the Board by the other board committees according to their respective terms of reference.

C.5 Conduct of board proceedings and supply of and access to information

Principle: The issuer should ensure directors can participate in board proceedings in a meaningful and effective manner. Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

For the year ended 31 December 2023, four board meetings and two general meetings, being the annual general meeting held on 25 May 2023 and the extraordinary general meeting held on 20 October 2023, were held by the Company. Attendance record of each individual director is as follows:

Name of Directors	Number of board meeting(s) attended/held	Number of general meeting(s) attended/held
Executive Directors		
Wu Meng *(Chairman)*	4/4	2/2
Zhang Jian *(resigned on 20 October 2023)*	0/3	0/1
Tan Weijun *(appointed on 24 March 2023)*	4/4	2/2
Liang Jun *(Chief Executive Officer)*	4/4	2/2
Hu Jiang	4/4	2/2
Non-executive Directors		
Zhang Lei	3/4	1/2
Ren Xiaotao *(appointed on 20 October 2023)*	1/1	N/A
Independent Non-executive Directors		
Ng Wing Hang Patrick	3/4	2/2
Kwok Lam Kwong Larry	4/4	2/2
Chen Liqiang *(resigned on 5 March 2024)*	4/4	2/2

Drafts of the agenda were sent to directors for comments before the meetings were held. They could include matters in the agenda for board meetings.

Notice of at least 14 days were given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice was given.

Minutes of the board meetings, and meetings of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee and Environmental, Social and Governance Committee are kept by the Company Secretary. Minutes of other board committees (as listed under C.4 Board Committees) are kept by the appointed Secretary of each committee. Such minutes are open for inspection during office hour by any director by giving at least 2 days' notice to the Company Secretary.

Minutes of the board meetings and meetings of board committees have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes were sent to all directors for their comment and records respectively, normally within one month after the board meeting was held.

The Company established a policy for any director to seek independent professional advice in appropriate circumstances, at the Company's expenses. The director is required to submit a request in writing to the Chairman stating the grounds for seeking the independent professional advice. The Chairman shall either approve the director's request directly, or if thinks fit, convene a board meeting to resolve the matter.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers were sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting and board committee meeting.

As mentioned in C.3 above, there are matters reserved to be approved by the Board. Management is aware of the obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. The Board and individual directors have separate and independent access to the Company's senior management.

All directors are entitled to have access to board papers, minutes and related materials.

C.6 Company Secretary

Principle: The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

Mr. Wong Che Keung Leslie is the Chief Operating Officer and Company Secretary of the Group and has day-to-day knowledge of the Company's affairs. He reports to the Chairman and/or the Chief Executive Officer.

The appointment and removal of the Company Secretary is subject to the Board approval in accordance with the Articles of Association of the Company. Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable rules and regulations, are followed.

Mr. Wong confirmed that he has taken no less than 15 hours of relevant professional training for the year ended 31 December 2023 in compliance with Rule 3.29 of the Listing Rules. The biographical details of Mr. Wong are set out on page 74 under the section headed Biographical Details of the Directors of the Company and the Senior Management of the Group.

D.1 Financial reporting

Principle: The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Management provided sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval.

Management provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Directors have acknowledged their responsibility for preparing accounts of the Company.

A statement by the external auditors about their reporting responsibilities is included in the Independent Auditor's Report.

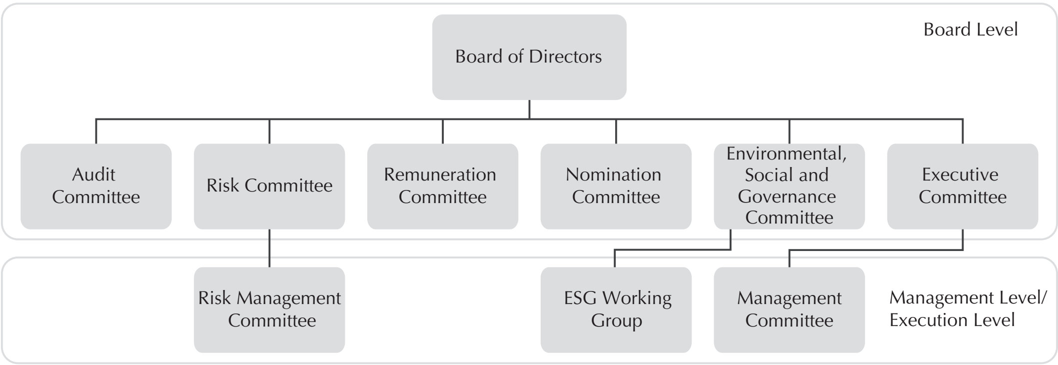
The Board presented a balanced, clear and understandable assessment of the Company in annual and interim reports and other financial disclosures required by the Listing Rules, and also for the reports to regulators and information disclosed under statutory requirements.

D.2 Risk management and internal control

Principle: The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting Guide in Appendix C2 to the Exchange Listing Rules for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

(a) Group's Risk Governance Structure

The Group's risk governance structure is shown as follows:



(b) Three Lines of Defence Model

The Group has adopted a "three lines of defence" model to establish an effective risk management and internal control systems:

First line of defence — Risk management (All business departments)

Each of the Group's departments has the primary responsibility of managing its business risk, and serves as the first line of defence for the risk management and internal control systems. Its major risk management measures include:

- Implements the Group's established policies, procedures and guidelines, as well as laws, regulations and industry practices, ensuring proper controls are in place.
- Implements the "Whistle blowing Policy" to ensure employees are able to report any suspected wrongdoings or improprieties through appropriate and established procedures.

- In 2023, the Group conducted multiple reviews on risk management and internal control management. All departments participated by helping in policy and process review, personnel interviews, and supported the inspection of business procedure execution. Reviews of the risk management system, authorization management, key business operations, and the identification, assessment, measurement, and monitoring of the major risks was performed. Action plans have been developed to rectify the identified risks and control weakness. According to the review results in 2023, the overall performance of internal control implementation was satisfactory.

Second line of defence — Risk control (Middle and back office departments particularly including Risk Management, Compliance and Legal)

Middle and back office departments particularly including Risk Management, Compliance and Legal form the second line of defence for the risk management and internal control systems. These departments are independent of the business units and perform the following major risk control duties:

- Assist the management in formulating the Group's policies, procedures, guidelines, risk management principles and risk tolerance levels, and revise them in response to any changes in laws, regulations, industry practices or other internal and external factors.

- Provide advisory services, guidance and training for all staff on risk management.

- Assist in regulatory authorities' investigations and enquiries.

- Maintain the list of the Group's key business processes, along with corresponding risks and relevant internal control measures, which facilitates departmental ongoing assessment and compilation of riskbased internal audit plan.

- Maintain the comprehensive set of key risk indications with reporting thresholds which clearly defines the reporting mechanism. When a trigger event arises, the incident will be reported to the respective level of management according to the pre-defined threshold, and where appropriate, remedial actions will be taken. This facilitates departments' defining roles and responsibilities, and strengthening their controls and accountability.

- In 2023, there were two incidents of reporting the risk management and internal controls related matters (except those related to financial controls and reporting, which are within the terms of reference of Audit Committee) to the Risk Committee, which in turn reported to the Board accordingly.

Third line of defence — Independent risk assurance (Internal Audit Department)

- Internal Audit Department serves as the third line of defence for the risk management and internal control systems. It conducts systemic review of the Group's risk management and internal control systems independently on a regular basis. The Internal Audit Department's role as the third line of defence is independent of the first and second lines of defence, and is responsible for monitoring their compliance with policies and procedures. The Head of Internal Audit Department reports directly to the Audit Committee at least semi-annually, and reports regularly to the Board through the Audit Committee.

- Internal Audit Department conducts independent review of the design and implementation of the Group's internal controls on a regular basis.

- In 2023, there were two incidents of reporting the risk management and internal controls related matters to the Audit Committee, which in turn reported to the Board accordingly.

(c) Audit Committee

The Audit Committee is delegated by the Board with the responsibilities to monitor the Group's overall management and effectiveness, and to advise the Board accordingly.

On behalf of the Board, the Audit Committee carries out regular review on business processes and operations, considers findings on major risk management and internal control related matters and the management's response to these findings. The Audit Committee also reviews financial controls and reporting related risk management and internal control systems of the Group with the management to ensure that the management has performed its duty to put in place an effective system.

In addition, the Audit Committee reviews and monitors the effectiveness of the function of the Internal Audit Department, ensures it is adequately resourced and has appropriate status within the Group. For the external auditor, the Audit Committee reviews and monitors the external auditor's independency and objectivity and the effectiveness of their audit in accordance with applicable standards. The Audit Committee also discusses the nature and scope of the audit and reporting obligations with the external auditor before the commencement of the audit. External auditor also reports their audit findings and the internal control matters identified during the audit to the Audit Committee. After a detailed review of the effectiveness of the Group's internal control systems, the Audit Committee will report their findings to the Board.

The Audit Committee is currently composed of two independent non-executive directors. The appointment of a new independent non-executive director is under way. It has held two meetings in the financial year ended 31 December 2023. List of the Audit Committee members and the attendance record of the meeting held by the Audit Committee are set out in D.3 below.

(d) Internal Audit Department

The Group has an independent Internal Audit Department to support the Board to monitor the Group's corporate governance compliance and to ensure a sound and effective internal control system is established. The Internal Audit Department independently evaluates and reviews departments' compliance with the policies, procedures and guidelines of the Group, as well as the applicable rules and regulatory requirements.

In addition, the Internal Audit Department also carries out specific audits on particular areas as directed by the Audit Committee. During the audit, the Internal Audit Department will assess the suitability and effectiveness of the Group's current operational processes and internal control systems. If weaknesses are identified, the Internal Audit Department will provide recommendations to the relevant departments, monitor the remediation progress, and report to the Audit Committee on the key findings and the rectification status on a regular basis.

(e) Risk Committee

Risk Committee is delegated by the Board, responsible for reviewing the risk management and internal control systems (except those related to financial controls and reporting, which are within Audit Committee's scope), ensuring that management has discharged its duties, has effective systems in place, and reviewing the risk principles and risk tolerance levels as proposed by Risk Management Committee, etc. The Risk Committee is also responsible for identifying and reviewing the ESG-related risks. Please also refer to the ESG report of this annual report for more details. The detailed terms of reference of Risk Committee are published on the websites of the HKEx and the Company.

Risk Committee is currently composed of two independent non-executive directors and three executive directors: the independent non-executive directors are Mr. Ng Wing Hang Patrick and Mr. Kwok Lam Kwong Larry; the executive directors are Mr. Tan Weijun, Mr. Liang Jun and Mr. Hu Jing. Mr. Ng Wing Hang Patrick acts as the chairman of the Risk Committee.

The Risk Committee held two meetings in the financial year ended 31 December 2023. The following is an attendance record of the meeting held by the Risk Committee for the financial year:

Name of Committee Members	Number of meeting(s) attended/held
Ng Wing Hang Patrick *(Chairman)*	1/2
Tan Weijun *(appointed on 24 March 2023)*	2/2
Liang Jun	2/2
Hu Jing	2/2
Kwok Lam Kwong Larry	2/2
Chen Liqiang *(resigned on 5 March 2024)*	2/2

A summary of the work performed by the Risk Committee during the financial year is listed below:

(1) reviewed the implementation of the Group' risk management and internal control systems (except those related to financial controls and reporting, which are within the terms of reference of Audit Committee); and

(2) discharged its responsibilities related to risk management and internal control system, as delegated by the Board.

(f) *Risk Management Committee*

Risk Management Committee is established under Risk Committee to coordinate, facilitate and manage important executive matters and risk management activities.

Risk Management Committee's major responsibilities include formulation of risk strategies, risk management infrastructure and risk policies; planning for a comprehensive risk management system and implementation of risk governance activities; recommendation of risk tolerance levels to Risk Committee and the Board as well as implementation upon their approval, and review and approval of risk policies, risk limits and key risk indicators; and assessment of the impacts of and provision of guidance on risks and risk events reported to the Committee, etc.

(g) *Risk Management Department*

The Group has established a Risk Management Department, which is independent of business departments, for management of the overall risk governance, setting up the overall risk management framework, and promoting risk management in the Group.

Risk Management Department formulates risk management basics, including the organisational structure, management framework, risk tolerance levels and related policies; provides business departments with guidance and assistance in identification, assessment, monitoring and reporting of risks arising from the usual course of business; and provides business departments with advisory services, including the risk assessments on new products, etc.

(h) Group's Key Risk and Management Measures

The Group upholds the philosophy of prudent operation, it strives to strengthen the existing businesses on one hand and continues to accelerate business transformation, provide diversified financial products one-stop financial services, and to gradually establish a global trading as investing and financing services network on the other, so as to command trust from shareholders, clients, regulators, business partners, other investors, as well as all employees. Based on the subjective and objective conditions of the regulatory environment, financial resources, business environment, operating model, etc., the Group determines the Risk Tolerances of the six major risk categories in these areas which serves as the foundation of risk management.

(1) Compliance Risk and Legal Risk

Compliance Risk refers to the risk of the Group suffering from any financial or non-financial loss as a result of being advised, warned, reprimanded, fined, etc or even prosecuted by the government or any regulatory authority due to violating or breaching the laws, rules or industry practices ranging from business related areas to financial crime and general ordinances.

Legal risk refers to the risk of the Group suffering from any financial or non-financial loss as a result of being involved in a legal dispute or litigation, no matter whether or not it is triggered by a compliance risk event.

The regulated activities of the Group, including brokerage business, corporate finance business, asset management business and securities research business, has developed relevant compliance policies and procedures in accordance with applicable laws, regulations, industry practices (such as codes and guidelines). These include due diligence on clients, anti-money laundering checking, client suitability testing towards products, segregation of duties, as well as prevention of conflict of interest. All these are recorded in the Group's Compliance Manual and Operational Manual for relevant staff's adoption.

The Group has a Compliance Department and a Legal Department, which are independent of the business units. The Compliance Department is responsible for compliance risk management, and conducting compliance monitoring and review. The Legal Department is responsible for providing legal advisory services, drafting and examination of legal documents.

(2) Liquidity and Funding Risk

Liquidity risk refers to the risk of the Group suffering from any financial loss as a result of failure to or a higher funding cost to fulfil its financial obligations due to cash flow mismatch, despite the Group's healthy financial standing.

Funding risk refers to the risk of the Group suffering from limited and insufficient source of fund and funding amount to sustain the Group's business development.

Certain subsidiaries of the Group are subject to the local country's regulatory liquidity requirements. Currently, a monitoring system is in place to ensure the relevant licensed subsidiaries maintain adequate liquid capital to support their business commitments and comply with the relevant applicable Financial Resource Rules. Finance Department also closely monitors the Group's cash flow and the Group's assets and liabilities position. Moreover, Credit Control Department carries out regular review of the margin ratios of the pledged securities to ensure they have sufficient liquidity, thereby to manage liquidity risk.

(3) Credit Risk

Credit Risk refers to the risk of the Group suffering from any financial loss as a result of the debtor (including clients, guarantors or related parties), counterparties (including trading counterparties, brokers, banks and custodians) or asset issuers (including guarantors or related parties) failing to fulfil their obligations to repay, pay, settle, etc on time.

Business relating to credit should be run on the principle of risk diversification, dealt with creditworthy debtors, counterparties and asset issuers, and secured the Group's position with collateral or guarantee from the transactions as far as possible.

The Group has authorisation policies and procedures in place for stock financing, merger and acquisition financing, margin loan, client's or counterparty's credit and trading limits, as well as the margin ratios of stocks.

The Group's Credit Control Department is responsible for monitoring the positions of client's accounts (including the stock, futures and stock options) and the level of financing on a daily basis. Credit Control Department strictly enforces margin call and executes forced sale in accordance with the Group's established policies and procedures. When any breach of the Group's financing or credit policy is identified, the Credit Control Department will report it to the management immediately. In addition, the Credit Control Department conducts regular stress tests on client's repayment capability, so as to identify those client's accounts that may have margin deficits under volatile market conditions.

To avoid excessive concentration of credit risk, the Group has set limits on single client or counterparty credit exposure, stock and bond concentration risk.

(4) Market Risk

Market risk refers to the risk of the Group suffering from any financial loss as a result of adverse market movements of exchange rate, interest rate, price of financial instruments, etc. The Group's investment trading business should be run on the principle of risk diversification. Each of its portfolios, investments and transactions should be managed within the approved limits.

The Group has procedures and risk indicators in place to monitor the market exposure of the investment business regularly, ensuring the business is run within the Group's risk appetite.

(5) Operational Risk

Operational risk refers to the risk of the Group suffering from any financial or non-financial loss resulting from inadequacy or failure of internal processes, staff or systems, or from external events.

The Management Committee of the Group supervises the daily operations of the Group, and manages the risks according to the actual situation of the businesses. Operational Manuals once approved are published on the Group's intranet for relevant departments and staff's compliance and implementation. The existing business operating procedures and the risk management measures are reviewed and updated from time to time to ensure that they are consistent with the actual operations of the Group.

(6) Reputational Risk

Reputational Risk refers to the risk of the Group's suffering from any damage to its goodwill as a result of its operation, or external events, leading to negative comment from regulators, customers, partners and other investors. Such damage could be in the form of, for example, criticism from the media or drop in the stock price. Reputational risk events may stand alone or result from other risk events.

The Group strives to maintain its reputation and acts in the Group's long-term interest, and timely handle in accordance with the established requirements in case of a risk event.

The Group also formulates other documents and measures, such as risk policies and risk limits, in accordance with the above-mentioned Risk Tolerances, that serves as specific measures for the Group to manage risks.

(i) Handling and Dissemination of Inside Information

To ensure inside information of the Group is to be disclosed to the public in a timely manner in accordance with the Listing Rules, applicable laws and regulatory requirement, a framework has been established to set out the procedures and internal controls for the handling and dissemination of inside information. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

(j) *Review of Effectiveness of the Risk Management and Internal Control Systems*

The Board acknowledges their responsibility to review the effectiveness of the risk management and internal control systems adopted. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board reviews the effectiveness of the Group's risk management and internal control systems on an ongoing basis. Through the structure and measures mentioned above, the Board ensures that appropriate and effective risk management and internal control systems are in place. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Group's compliance, risk management, accounting, internal audit, financial reporting functions, as well as those relating to the Group's ESG performance and reporting. For the financial year ended 31 December 2023, the Risk Management Committee and the Internal Audit Department had submitted reports on the effectiveness of the Group's risk management and internal control systems to the Risk Committee and Audit Committee respectively.

The Company maintains and effectively implements a comprehensive system of internal control and stringent policies, which include Compliance Manual and Whistleblowing Policy, for anti-corruption and anti-fraud, and is committed to promoting integrity and preventing unethical behaviour.

D.3 Audit Committee

Principle: The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the Exchange Listing Rules should have clear terms of reference.

The Audit Committee was set up in 1999. The roles of the Audit Committee are mainly to ensure integrity of financial statements, to oversee financial reporting system, risk management and internal control procedures as well as to provide advice and recommendations to the Board. The details of the terms of reference of the Audit Committee are published on the websites of the HKEx and the Company.

The Audit Committee is currently composed of two independent non-executive directors, namely, Mr. Ng Wing Hang Patrick and Mr. Kwok Lam Kwong Larry. The appointment of a new independent non-executive director is under way. Mr. Ng Wing Hang Patrick acts as the chairman of the Audit Committee.

The Audit Committee held two meetings in the financial year ended 31 December 2023. The following is an attendance record of the meeting held by the Audit Committee for the financial year:

Name of Committee Members	Number of meeting(s) attended/held
Ng Wing Hang Patrick *(Chairman)*	1/2
Kwok Lam Kwong Larry	2/2
Chen Liqiang *(resigned on 5 March 2024)*	2/2

A summary of the work performed by the Audit Committee during the financial year is listed below:

(1) reviewed the financial statements and the independent auditor's report before their submission to the Board;

(2) reviewed the results of the audit on the Company's system of internal controls;

(3) reviewed the results of the audit on the connected or continuing connected parties transactions;

(4) nominated external auditors for re-appointments at the annual general meeting held in 2023, and considered the proposed remuneration and terms of engagement of external auditors;

(5) reviewed and submitted to the Board relevant policies within the scope of the Audit Committee;

(6) assessed the effectiveness of the Group's risk management and internal control systems; and

(7) performed corporate governance functions delegated by the Board.

The work and findings of the Audit Committee were reported to the Board. During the year, no issues brought to the attention of management and the Board were of sufficient importance to require disclosure in the Annual Report.

The Board agreed with the Audit Committee's proposal for the re-appointment of Messrs. KPMG as the Company's external auditors for 2024. The recommendation will be put forward for the approval of shareholders at the forthcoming annual general meeting.

Full minutes of Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the meetings were sent to all committee members for their comment and records, normally within one month after the meeting.

No member of the Company's Audit Committee was a former partner of the Company's existing external auditors.

During the financial year ended 31 December 2023, the remuneration to the external auditors, Messrs. KPMG, was as below:

Nature of services	HK$'000
Audit services	2,900
Tax advisory services	215

The Audit Committee was provided with sufficient resources, including the advice of external auditors and Internal Audit Department, to perform its duties.

The Audit Committee established a whistleblowing procedures of the Group. Under the whistleblowing procedures, the employees and those who deal with the Group can report any concerns relating to the possible financial reporting improprieties to the chairman of Audit Committee.

E.1 The level and make-up of remuneration and disclosure

Principle: An issuer should have a formal and transparent policy on directors' remuneration and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding that director's own remuneration.

The Remuneration Committee of the Company was established in April 2005. The functions of the Remuneration Committee are mainly to review and make recommendations to the Board on the Company's policy and structure for all remunerations of directors and senior management. The terms of reference of the Remuneration Committee include the specific duties set out in Code Provision E.1.2(a) to (h), with appropriate modifications where necessary. The Remuneration Committee is delegated with responsibility to determine the remuneration packages of individual executive directors and senior management. Details of terms of reference of the Remuneration Committee are published on the HKEx's and Company's websites.

The Remuneration Committee presently consists of two independent non-executive directors, namely, Mr. Kwok Lam Kwong Larry and Mr. Ng Wing Hang Patrick. Mr. Kwok Lam Kwong Larry acts as the chairman of the Remuneration Committee.

The Remuneration Committee held two meetings in the financial year ended 31 December 2023. The following is an attendance record of the meeting held by the Remuneration Committee for the financial year:

Name of Committee Members	Number of meeting(s) attended/held
Kwok Lam Kwong Larry *(Chairman)*	2/2
Ng Wing Hang Patrick	1/2
Chen Liqiang *(resigned on 5 March 2024)*	2/2

During the financial year, the Remuneration Committee reviewed and considered the remuneration policy, packages and fringe benefits of the directors and senior management of the Group. In addition, the Remuneration Committee also reviewed the remuneration policies of the Group and compared with companies of similar scale as benchmark. Furthermore, the Committee made recommendations to the Board for the reward system of the Group, the remuneration of the executive directors of the Company and senior management of the Group and the salary increment of employees in 2023. None of the directors of the Company participated in the determination of the remuneration of their own. The Remuneration Committee was satisfied with the current remuneration policy and packages of the Group.

The Remuneration Committee shall consult the Chairman and/or Chief Executive Officer about their remuneration proposals for the directors. The Remuneration Committee shall have access to independent professional advice if necessary.

The Remuneration Committee was provided with sufficient resources to perform its duties.

For the financial year ended 31 December 2023, the remuneration of the members of the senior management by band is set out below:

Remuneration bands	Number of senior management*
Nil–HK$3,000,000	1
HK$3,000,001–HK$5,000,000	5
HK$5,000,001–HK$7,000,000	0

* The evaluation of the performance of the employees has not been completed. Thus, the amount of bonus has not yet been determined and the final amount will be disclosed in due course.

Details of the directors' remuneration and five highest paid employees for the financial year ended 31 December 2023 as required to be disclosed pursuant to Appendix D2 of the Listing Rules are provided in notes 8 and 9 to the financial statements.

F.1 Effective communication

Principle: The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

The Board has established a Dividend Policy which allows its shareholders to participate in the Company's profits on one hand, while retaining adequate reserves for future business development on the other. In general, the dividend payout ratio should be in the range between 40% and 60% of the Group's consolidated net profit after tax for the then financial year. In addition, the Board may also declare special dividends in addition to such dividends as it considers appropriate.

Pursuant to the disclosure requirements under the Listing Rules and the Code, the Company is required to disclose the following information on shareholders' rights:

Set out below are procedures by which shareholders of the Company may (a) convene an extraordinary general meeting; (b) put enquiries to the Board; (c) put forward proposals at shareholders' meetings; and (d) propose a person for election as a director. These procedures are generally governed by the Articles of Association of the Company and applicable laws, rules and regulations, which prevail over what is stated below in case of inconsistencies.

(a) How shareholders can convene an extraordinary general meeting

Pursuant to Article 69 of the Articles of Association of the Company, extraordinary general meeting(s) shall be convened as provided by the Companies Ordinance.

Pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may request in writing to call an extraordinary general meeting.

The written request:

(i) 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 (in case if the resolution is to be proposed as a special resolution, the written request should include the text of the resolution and specify the intention to propose the resolution as a special resolution);

(ii) must be signed by the requisitionist(s); and

(iii) may either be deposited at the registered office of the Company at Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong in hard copy form or sent in electronic form by email at co.sec@swhyhk.com.

The Board must call an extraordinary general meeting within 21 days after the date on which they become subject to the requirement and the extraordinary general meeting so called must be held on a date not more than 28 days after the date of the notice convening the extraordinary general meeting.

If the Board does not proceed to convene the extraordinary general meeting as aforesaid, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves call an extraordinary general meeting, provided that any extraordinary general meeting so convened is held within 3 months after the date on which the Board becomes subject to the requirement to call an extraordinary general meeting. Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the Board duly to call an extraordinary general meeting must be reimbursed by the Company.

(b) The procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed

Shareholders and other stakeholders may send their enquiries and concerns to the Board by addressing them to Company Secretary, whose contacts are listed below:

Registered office:	Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong
Email:	co.sec@swhyhk.com

(c) The procedures and sufficient contact details for putting forward proposals at shareholders' meetings

Any shareholder(s) satisfying the following conditions can request in writing to move a resolution at an annual general meeting:

(i) shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or

(ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The written request:

(i) must identify the resolution of which the notice is to be given;

(ii) must be signed by the requisitionist(s); and

(iii) may either be deposited at the registered office of the Company at Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong in hard copy form or sent in electronic form by email at co.sec@swhyhk.com, not later than 6 weeks before the annual general meeting to which the requests relate; or if later, the time at which notice is given of that annual general meeting.

(d) The procedures for shareholders to propose a person for election as a director

Pursuant to Article 113 of the Articles of Association of the Company, if a shareholder wish to propose a person other than a retiring director for election as a director at a general meeting, notice in writing of the intention to propose that person for election as a director and notice in writing by that person of his willingness to be elected shall have been given to the Company during a period of not less than seven (7) days commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date appointed for the meeting.

The Articles of Association of the Company are available on the websites of the Company and the Stock Exchange.

The Board has adopted a shareholders communication policy which set out the Company's policy for maintain an on-going dialogue with shareholders. The policy is subject to review on a regular basis to ensure its effectiveness. The following is a summary of the work conducted in accordance with the shareholders communication policy during the financial year:

(1) we have published the revised Shareholders Communication policy on the Stock Exchange and on the Company's website;

(2) we have published the revised Terms of Reference of the Nomination Committee on the Stock Exchange and on the Company's website;

(3) we have published the revised Director Nomination Policy on the Stock Exchange and on the Company's website;

(4) we have published the Board Diversity Policy on the Stock Exchange and on the Company's website;

(5) we have published annual reports, interim reports and results announcements in a timely manner with the Stock Exchange and on the Company's website;

(6) appointment of Mr. Ren Xiaotao as the non-executive director of the Company was approved at the extraordinary general meeting held on 20 October 2023; and

(7) since September 2022, shareholders can choose to receive corporate communications via electronic means, with the aim to reduce resource consumption related to printing and distribution of hard copies.

After considering the above works conducted, it is of the view that the shareholders communication policy of the Company was effective.

F.2 Shareholders meetings

Principle: The issuer should ensure that shareholders are given sufficient notice of shareholders meetings and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

At the annual general meeting and the extraordinary general meetings held in 2023, a separate resolution was proposed by the Chairman for each substantially separate issue.

During the financial year, the Company held the annual general meeting on 25 May 2023 and the extraordinary general meeting on 20 October 2023.

(a) At the annual general meeting held on 25 May 2023 was attended by the Chairman of the Board, the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee, Risk Committee, and Environmental, Social and Governance Committee or members of the respective Committees, and the representative of the external auditor, Messrs. KPMG, to answer questions from the shareholders.

(b) At the extraordinary general meeting held on 20 October 2023 was obtained the shareholders' approval for the appointment of Mr. Ren Xiaotao as the non-executive director of the Company, the Chairman of the Board and the chairman of the Remuneration Committee, and the Nomination Committee or the members of the respective Committees attended the meeting to answer questions.

To ensure that shareholders are familiar with the poll procedures at the annual general meeting and the extraordinary general meeting held in 2023, the Chairman (through the Company Secretary) explained the detailed procedures of poll voting.

After the conclusion of the annual general meeting and the extraordinary general meeting, the poll results were published on the website of HKEx at http://www.hkexnews.hk and the Company's website at http://www.swhyhk.com.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the Company's and the Group's financial position at that date are set out in the audited financial statements.

The Company's existing Dividend Policy allows its shareholders to participate in the Company's profits on one hand, while retaining adequate reserves for future business development on the other. In general, the dividend payout ratio should be in the range between 40% and 60% of the Group's consolidated net profit after tax for the then financial year. In addition, the board of directors (the "Board") of the Company may also declare special dividends in addition to such dividends as it considers appropriate.

The directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out under the sections headed Chairman's Statement, Management Discussion & Analysis, Environmental, Social and Governance Report and Corporate Governance Report on pages 3 to 4, pages 5 to 12, pages 13 to 37 and pages 38 to 65 respectively of this annual report.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
RESULTS					
REVENUE	**618,215**	426,340	730,287	835,317	675,584
Other (loss)/gains, net	**(43,868)**	(119,535)	12,092	18,585	(13,646)
Commission expenses	**(31,290)**	(56,006)	(150,541)	(96,864)	(65,063)
Employee benefit expenses	**(248,925)**	(297,992)	(265,890)	(280,047)	(249,944)
Depreciation	**(54,858)**	(66,197)	(53,110)	(44,188)	(24,450)
Interest expenses	**(127,978)**	(108,118)	(94,794)	(98,103)	(30,734)
Other expenses, net	**(235,823)**	(649,597)	(296,212)	(125,740)	(133,826)
(LOSS)/PROFIT BEFORE TAXATION	**(124,527)**	(871,105)	(118,168)	208,960	157,921
Income tax	**(67,927)**	(8,819)	22,418	(33,334)	(21,258)
(LOSS)/PROFIT FOR THE YEAR	**(192,454)**	(879,924)	(95,750)	175,626	136,663
Attributable to:					
Ordinary equity holders of the Company	**(192,454)**	(879,924)	(95,750)	175,626	136,664
Non controlling interests	**—**	—	—	—	(1)
	(192,454)	(879,924)	(95,750)	175,626	136,663

	As at 31 December				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**12,851,862**	16,516,683	22,907,283	16,288,574	10,231,699
TOTAL LIABILITIES	**(10,061,684)**	(13,556,800)	(19,052,624)	(12,249,908)	(6,312,382)
NON-CONTROLLING INTERESTS	**—**	—	(2,626)	(2,626)	(2,626)
	2,790,178	2,959,883	3,852,033	4,036,040	3,916,691

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

SHARE CAPITAL

There were no movements in the issued share capital of the Company during the year.

DEBENTURES ISSUED

On 27 January 2022, the Company issued unsecured and unguaranteed bonds in principal amount of US$200 million which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 1.5% per annum with a maturity period of 364 days. Please refer to the Company's announcements on 21 January 2022, 27 January 2022 and 28 January 2022 for details of the bonds.

The unsecured and unguaranteed bonds were redeemed and cancelled on 26 January 2023 in accordance with the terms and conditions of the unsecured and unguaranteed bonds.

EQUITY LINKED AGREEMENTS

No equity linked agreements were entered into by the Company, or existed during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company has no reserve available for distribution in accordance with the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance (Cap. 622).

CHARITABLE CONTRIBUTIONS

No charitable contribution was made by the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the b est knowledge of the directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers.

The Group is a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Wu Meng *(Chairman)*
Zhang Jian *(resigned on 20 October 2023*
Tan Weijun *(appointed on 24 March 2023)*
Liang Jun *(Chief Executive Officer)*
Hu Jing

Non-executive director:
Zhang Lei
Ren Xiaotao *(appointed on 20 October 2023)*

Independent non-executive directors:
Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Chen Liqiang *(resigned on 5 March 2024)*

In accordance with Articles 100 and 109(A) of the Company's Articles of Association and in compliance with Code Provision B.2.3 of the Corporate Governance Code set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Liang Jun, Mr. Ng Wing Hang Patrick and Mr. Kwok Lam Kwong Larry will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re election.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Chen Liqiang (resigned on 5 March 2024 and as at the date of this report, still considers them to be independent.

A list of names of all the directors who have served on the boards of the subsidiaries of the Company for the period from 1 January 2023 to the date of this report is available on the Company's website at www.swhyhk.com.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP

Executive directors

Wu Meng — Chairman

Ms. Wu Meng, aged 42, was appointed as an Executive Director of the Company on 10 August 2019, and as Chairman of the Board, Chairman of the Nomination Committee, Chairman of the Environmental, Social and Governance Committee and Chairman of the Executive Committee of the Company on 26 October 2021. Ms. Wu is a member of the executive committee, a general manager of the International Business Division of Shenwan Hongyuan Securities Co., Ltd.; a chairman and general manager of Shenwan Hongyuan (International) Holdings Limited; a director of Shenwan Hongyuan Holdings (B.V.I.) Limited; a director of SWS Research Co., Ltd. and a director of Shenwan Hongyuan Financing Services Co., Ltd., all of which being companies controlled by Shenwan Hongyuan Group Co., Ltd. (6806.HK, 000166.SZ), the holding company of the Company. Prior to joining Shenwan Hongyuan Securities Co., Ltd., Ms. Wu worked in the corporate finance division of China Jianyin Investment Ltd., and the capital market department and securities institution department/insurance institutions department of Central Huijin Investment Ltd.. She has around 20 years of relevant business experience. Ms. Wu holds a Master's Degree of Science in Finance and Investment, and a Ph.D. Degree in Management.

Tan Weijun

Mr. Tan Weijun, aged 58, was appointed as an Executive Director, a member of the Risk Committee and a member of the Executive Committee of the Company on 24 March 2023, Mr. Tan also serves as general manager of risk management division of Shenwan Hongyuan Se curities Co., Ltd.; chief supervisor of Shenyin & Wanguo Investment Co. Ltd. and supervisor of Shenwan Hongyuan Securities Asset Management Co., Ltd., all of which are companies controlled by Shenwan Hongyuan Group Co., Ltd. (6806.HK, 000166.SZ), the holdi ng company of the Company. Mr. Tan joined the former Shanghai Wanguo Securities Co., Ltd. in September 1992 and held various positions in the internal audit division, review and appraisal center, and compliance and risk management division at Shenwan Hongy uan Securities Co., Ltd.. He has more than 21 years of experience in risk management of securities business. Mr. Tan graduated from East China University of Science and Technology with a major in Applied Mathematics and Donghua University with a Postgradua te Master's Degree in Business Administration. Mr. Tan is a qualified securities practitioner from Securities Association of China.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Executive directors *(Cont'd)*

Liang Jun — Chief Executive Officer

Mr. Liang Jun, aged 39, was appointed as an Executive Director and the Chief Executive Officer of the Company on 12 June 2021. Mr. Liang is currently the chairman of the Management Committee and a member of each of the Risk Committee, the Environmental, So cial and Governance Committee and the Executive Committee of the Company. Mr. Liang is also a deputy general manager of Shenwan Hongyuan (International) Holdings Limited, being a company controlled by Shenwan Hongyuan Group Co., Ltd. (6806.HK, 000166.SZ), the holding company of the Company. He joined the Group in June 2019 as Head of Equity Capital Markets and subsequently has been appointed as a Deputy General Manager and Head of Global Capital Markets Division of the Group. Prior to joining the Group, Mr. Liang worked in the risk management department, the CEO office and fixed income department of CITIC Securities Company Limited, and the equity capital market department of CLSA Limited. He has more than 17 years' experience in securities business. Mr. Liang holds a Master's Degree in Business Administration from Guanghua School of Management, Peking University, and a Postgraduate Master's Degree in Finance from Nankai University. He also is a Chartered Financial Analyst (CFA) and a Financial Risk Manager (FRM).

Hu Jing

Mr. Hu Jing, aged 39, was appointed as an Executive Director, a member of the Risk Committee, a member of the Environmental, Social and Governance Committee and a member of the Executive Committee of the Company on 11 July 2022. Mr. Hu is also a chief risk officer of Shenwan Hongyuan (International) Holdings Limited, and is a director of Shenwan Hongyuan International Finance Limited and a director of Shenwan Hongyuan Holdings (B.V.I.) Limited, all of which being companies controlled by Shen wan Hongyuan Group Co., Ltd. (6806.HK, 000166.SZ), the holding company of the Company. Mr. Hu previously worked in the asset management division and risk management division of Shenwan Hongyuan Securities Co., Ltd. from August 2009 to July 2016 and October 2017 to January 2020 respectively. He has around 16 years' experience in the securities industry. Mr. Hu holds a Bachelor's Degree in Management from Nanjing Audit University and a Master's Degree of Science in Quantitative Financial Economics from Oklaho ma State University.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Non-executive director

Zhang Lei

Mr. Zhang Lei, aged 55, was appointed as a Non-executive Director of the Company in February 2013. He graduated from Shanghai Jiaotong University as doctor of philosophy of Financial Management Engineering in 1997. Mr. Zhang has many years of experience in the securities industry. He has previously worked for Shenyin & Wanguo Securities Co., Ltd., the former of Shenwan Hongyuan Group Co. Co., Ltd., as deputy manager of Client Asset Management Division. Mr. Zhang joined Shanghai Industrial Investment (Holdings) Company Limited in July 2006, and currently serves as its general manager of Finance & Planning Department. He also presently holds directorships in certain wholly owned subsidiaries of Shanghai Industrial Investment (Holdings) Company Limited and acts as the responsible officer of SIIC Asset Management Company Limited.

Ren Xiaotao

Mr. Ren Xiaotao, aged 53, was appointed as a Non-executive Director of the Company on 20 October 2023. Mr. Ren is also a Non-executive director of Shenwan Hongyuan Group Co., Ltd., a Non-executive director of Shenwan Hongyuan Securities Co., Ltd., and the managing director and dispatched director of the Direct Enterprise Leadership Group Office/Equity Management Department II of Central Huijin Investment Co., Ltd. Mr. Ren was a senior actuarial manager of the actuarial department of China Pacific Insurance (Group) Co., Ltd., senior deputy manager of the non banking department of Central Huijin Investment Co., Ltd., senior deputy manager and senior manager of the securities institution management department/insurance institution management department, and securities institution Director and Director of the Insurance Institution Equity Management Division II of the Management Department/Insurance Institution Management Department (during the period, he was a deputy general manager of the Development Planning Department, deputy general manager of the Asset Management Department and deputy general manager of the Shanghai Free Trade Zone Branch of China Continent Property Insurance Co., Ltd.). He has over 21 years of experience in financial business management. Mr. Ren holds a master's degree in economics.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Independent non-executive directors

Ng Wing Hang Patrick

Mr. Ng Wing Hang Patrick, aged 71, was appointed as an Independent Non-executive Director of the Company in January 1995. He is currently the chairman of the Audit Committee and the Risk Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Ng is a practising Certified Public Accountant in Hong Kong and is the Managing Director of Pan China (H.K.) CPA Limited, a certified public accountants firm in Hong Kong. He also serves as an Independent Non-executive Director of Far East Hotels and Entertainment Limited (Stock Code: 37), which is listed on the Hong Kong Stock Exchange. Mr. Ng graduated from The Hong Kong Polytechnic University in 1975.

Kwok Lam Kwong Larry, S.B.S., J.P

Mr. Kwok Lam Kwong Larry, aged 68, was appointed as an Independent Non-executive Director of the Company in March 1995. He is currently the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee, the Risk Committee and the Environmental, Social and Governance Committee of the Company. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a Chartered Accountant in England and Wales and a CPA in Hong Kong and Australia. Mr. Kwok graduated from the University of Sydney, Australia with Bachelor's Degrees in Economics and Laws as well as a Master's Degree in Laws. He also obtained the Advanced Management Program Diploma from the Harvard Business School.

Senior management

Xia Mingrui — Deputy General Manager

Mr. Xia Mingrui , aged 50, joined the Group as an Assistant General Manager of the Group in October 2017 and has been appointed as a Deputy General Manager of the Group in March 2020. He has served as a manager of the Market Development Department of International Business Division of Shenwan Hongyuan Securities Co., Ltd. and has more than 26 years of experience in securities business. Mr. Xia graduated from Fudan University in Shanghai with a major in Computer Science and Shanghai Jiaotong University with a major in Finan ce.

Yu Lili — Division Head of Corporate Finance

Ms. Yu Lili, aged 40, joined the Group as a member of Operation Management Committee in November 2021 and has been appointed as a Deputy General Manager of the Group in charge of the Corporate Finance Department in February 2022. Prior to joining the Group, Ms. Yu worked in merger and acquisition business division of CITIC Securities Company Limited, Shenwan Hongyuan Financing Services Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd.. She has more than 14 years' experience in corporate finance business. Ms. Yu holds a Master's Degree of Science from University of Bristol, a Master's Degree of Finance from East China Normal University and a Bachelor's Degree of Economics from East China Normal University.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Senior management *(Cont'd)*

Zhang Haixiao — Head of Human Resources

Mr. Zhang Haixiao, aged 42, joined the Group in March 2023 as a member of the Operations Management Committee and as the head of the Human Resources Department. Mr. Zhang has more than 17 years of relevant work experience in the government and financial industries. He previously worked in Chinese local government, China Investment Corporation and CIC International (Hong Kong) Co., Limited. He holds a Master's Degree of Management from Central University of Finance and Economics.

Wong Che Keung Leslie — Chief Operating Officer and Company Secretary

Mr. Wong Che Keung Leslie, aged 59 is the Chief Operating Officer and Company Secretary of the Group. Besides company secretarial duties, Mr. Wong is also responsible for overseeing the compliance as well as legal affairs of the Group's securities business. Mr. Wong once served as the Head of Compliance of the Group and subsequently, a Director of Shenwan Hongyuan Securities (H.K.) Limited and the Finance Director before succeeding to the position of the Chief Operating Officer of the Group in 2010. Mr. Wong was appointed as the Company Secretary of the Group in December 2004. Prior to joining the Group in 1996, he has worked in the Securities and Futures Commission for 7 years. Mr. Wong obtained his Bachelor's Degree in Economics at the University of Hong Kong and a Master's Degree in Business Administration at the Chinese University of Hong Kong.

Shen Chong — Division Head of Asset Management

Mr. Shen Chong, aged 41, joined the Group as Division Head of Asset Management in March 2020 and has been appointed as a member of the Operation Management Committee in May 2021. Mr. Shen has more than 16 years of securities related working experience. He previously worked in the investment banking business of Bank of America Merrill Lynch, Credit Suisse and Bank of China International, and was in charge of corporate finance and asset management business of Ping An of China Securities (Hong Kong) as a senior executive. He holds a Master's Degree in International Financial Management from Newcastle Business School of Northumbria University and a Bachelor's Degree in Business Administration from European Business School in Germany.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of the Company with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director or a connected entity of a director had a significant beneficial interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has taken out and maintained appropriate directors' liability insurance in respect of relevant legal actions against its directors.

DIRECTOR'S INTEREST IN SHARES

As at 31 December 2023, none of the directors and the chief executive of the Company was taken to be interested or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix C3 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2023, the interests of substantial shareholders, other than directors or chief executive of the Company, who had interests or short positions of 5% or more of the issued shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity and nature of interests	Number of ordinary shares interested *(Note)*	Percentage of the Company's issued shares
Shenwan Hongyuan Holdings (B.V.I.) Limited ("SWHYHBVI")	Directly beneficially owned	402,502,312[(1)]	25.78
Shenwan Hongyuan (International) Holdings Limited	Through controlled corporation	402,502,312[(1)]	25.78
	Directly beneficially owned	768,306,257[(2)]	49.22
Shenwan Hongyuan Securities Co., Ltd.	Through controlled corporation	1,170,808,569[(1)(2)]	75.00
Shenwan Hongyuan Group Co., Ltd.	Through controlled corporation	1,170,808,569[(1)(2)]	75.00

Notes:

(1) SWHYHBVI is held directly as to 60.82% by Shenwan Hongyuan (International) Holdings Limited. Shenwan Hongyuan (International) Holdings Limited is wholly owned by Shenwan Hongyuan Securities Co., Ltd. which is in turn a wholly owned subsidiary of Shenwan Hongyuan Group Co., Ltd.. Hence, Shenwan Hongyuan (International) Holdings Limited, Shenwan Hongyuan Securities Co., Ltd. and Shenwan Hongyuan Group Co., Ltd. are deemed to be interested in the same parcel of 402,502,312 shares held by SWHYHBVI under the SFO.

(2) Shenwan Hongyuan (International) Holdings Limited also held directly 768,306,257 shares of the Company. Hence, Shenwan Hongyuan Securities Co., Ltd. and Shenwan Hongyuan Group Co., Ltd. are also deemed to be interested in the same parcel of 768,306,257 shares held by Shenwan Hongyuan (International) Holdings Limited under the SFO.

Save as disclosed above, as at 31 December 2023, the Company had not been notified of any person who had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The connected transactions and continuing connected transactions of the Company and the Group during the year are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing Connected Transactions

(a) On 20 April 2022, the Company and Shenwan Hongyuan Group Co., Ltd. ("SWHYG") entered into the memorandum of understanding in relation to the transactions that may occur between the SWHYG and its subsidiaries in the next 3 years, and the Company and its subsidiaries to replace the memorandum of understanding entered into between the Company and SWHYG on 29 March 2019. This transaction was approved by independent shareholders of the Company at the extraordinary general meeting held on 30 May 2022 as required under the Listing Rules.

Further details of the transaction are set out in the announcement of the Company dated 20 April 2022 and 30 May 2022, and the circular of the Company dated 13 May 2022.

(b) The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions as set out in note 35(a)(i-iv) to the financial statements and confirmed that these transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unmodified letter containing the audit or's findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, the following directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Ms. Wu Meng (Executive Director and Chairman of the Board of the Company) is:

- a member of the executive committee, a general manager of the international business division of Shenwan Hongyuan Securities Co., Ltd. which is involved in securities business;
- a director of SWS Research Co., Ltd. which is involved in securities research and consulting business;
- a director of Shenwan Hongyuan Financing Services Co., Ltd. which is involved in securities underwriting, sponsoring and financial advisory businesses; and
- a chairman and a general manager of Shenwan Hongyuan (International) Holdings Limited, which is an investment holding company and through its wholly owned subsidiary, Shenwan Hongyuan Singapore Private Limited, engages in securities brokerage business and fund management.

Mr. Tan Weijun (Executive Director of the Company) is:

- a general manager of risk management division of Shenwan Hongyuan Securities Co., Ltd. which is involved in securities business;
- a chief supervisor of Shenyin & Wanguo Investment Co. Ltd. which is involved in equity investment business; and
- a supervisor of Shenwan Hongyuan Securities Asset Management Co., Ltd. which is involved in securities business.

Mr. Liang Jun (Executive Director and Chief Executive Officer of the Company) is a deputy general manager of Shenwan Hongyuan (International) Holdings Limited, which is an investment holding company and through its wholly owned subsidiary, Shenwan Hongyuan Singapore Private Limited, engages in securities brokerage business and fund management.

Mr. Hu Jing (Executive Director of the Company) is a chief risk officer of Shenwan Hongyuan (International) Holdings Limited, which is an investment holding company and through its wholly owned subsidiary, Shenwan Hongyuan Singapore Private Limited, engages in securities brokerage business and fund management.

Mr. Zhang Lei (Non-executive Director of the Company) is a director and responsible officer of SIIC Asset Management Company Limited which is involved in the provision of asset management services.

Mr. Ren Xiaotao (Non-executive Director of the Company) is:

- a Non-executive director of Shenwan Hongyuan Group Co., Ltd. which is involved in investment business;
- a Non-executive director of Shenwan Hongyuan Securities Co., Ltd. which is involved in securities business; and
- a managing director and dispatched director of the Direct Enterprise Leadership Group Office/ Equity Management Department II of Central Huijin Investment Co., Ltd. which is involved in equity investment business.

Any director(s) who is/are or deemed to be interested in any proposed transaction(s) will have his/their interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the Articles of Associations of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by KPMG, Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance, who will retire, being eligible, and offer themselves for the re appointment at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Wu Meng
Chairman

Hong Kong
25 March 2024

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Shenwan Hongyuan (H.K.) Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Shenwan Hongyuan (H.K.) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 87 to 184, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, 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 its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Cont'd)*

Assessment of the fair value of financial instruments categorised as level 3 fair value measurement

Refer to note 2.5(b), 2.5(f), 18, 19, 25 and 38 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2023, financial instruments carried at fair value accounted for a significant portion of the Group's assets and liabilities. The fair value of these financial assets was HK$4,882 million, of which HK$2,211 million were classified as level 3 fair value measurement. The fair value of these financial liabilities was HK$3,258 million, of which HK$262 million were classified as level 3 fair value measurement. Management engaged external valuation specialists to assist with the valuations for the Group's certain financial instruments. The valuation of the Group's financial instruments which are stated at their fair values is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, estimates need to be developed which can involve significant judgement. During the year, the increased market volatility continued to result in high estimation uncertainty in management's assessment of the valuation of financial instruments held. We identified assessment of the fair value of level 3 financial instruments as a key audit matter because of the degree of complexity involved in valuing these financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments which are categorised as level 3 fair value measurement included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation of the financial instruments; • reading investment agreements of the financial instruments on a sample basis to understand the relevant contractual terms and identify features of the financial instruments that were relevant to the valuation; • for financial instruments where external valuation specialists are involved, evaluating the competence, capability and objectivity of the external valuation specialists; • involving our valuation specialists to perform, on a sample basis, our own valuations of the financial instruments and comparing these valuations with the Group's valuations. Our valuation specialists either compared prices from independent sources to those used by management to assess pricing for certain financial instruments or evaluated the methodology used by external valuation specialists engaged by management with reference to the requirements of the prevailing accounting standards and obtained independent inputs in order to reperform our own valuation; • comparing the fair values of those investment funds where the valuation is referenced to the funds' net asset value with the net asset value reports provided by independent fund managers, on a sample basis; and • evaluating the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS *(Cont'd)*

Allowance for expected credit losses of debt securities

Refer to note 2.5(g), 19 to the consolidated financial statements.

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

As at 31 December 2023, debt securities measured at amortised cost and at fair value through other comprehensive income amounted to HK$141 million and HK$145 million. Total allowance for expected credit losses ("ECLs") of debt securities was HK$322 million as at 31 December 2023.
 	
The Group applies the ECL model to assess allowance for ECLs of debt securities measured at amortised cost and fair value through other comprehensive income in accordance with HKFRS 9, *Financial Instruments*. The determination of ECLs is subject to a number of key inputs, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, adjustments for forwarding-looking information and other adjustment factors. Management judgement is involved in the selection of the parameters and the application of the data and assumptions.
	Our audit procedures to assess allowance for ECLs for debt securities included the following:
	
	• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of debt securities measured at amortised cost and at fair value through other comprehensive income and the calculation of allowance for ECLs;
	
	• involving our financial risk management specialists in assessing the Group's ECL model in determining loss allowances, including assessing the appropriateness of the methodology applied with reference to HKFRS 9 and reasonableness of the key inputs used in the ECL model by comparing to market information where available and considering the possibility of management bias in the determination of key assumptions adopted;
	
	• evaluating the validity of management's assessment on whether the credit risk of debt securities measured at amortised cost and fair value through other comprehensive income has, or has not, increased significantly since initial recognition and whether they are credit-impaired on a sample basis by:
	
	    • comparing the credit rating as at initial recognition with that at the reporting date;
	
	    • performing news search to identify overdue payments and negative news, if any; and
	
	    • comparing the quoted price as at initial recognition with that at the reporting date;

KEY AUDIT MATTERS *(Cont'd)*

Allowance for expected credit losses of debt securities

Refer to note 2.5(g), 19 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The increased market volatility resulted in higher estimation uncertainty in management's assessment and therefore more judgement is required. We identified the allowance for ECLs of debt securities as a key audit matter because of the inherent uncertainty and management judgment involved.	• assessing the accuracy of inputs used in the ECL model by comparing the exposure at default on a sample basis with underlying documents for debt securities measured at amortised cost and at fair value through other comprehensive income and comparing the estimates of probability of default and loss given default on a sample basis with publicly available information; • comparing the economic factors, on a sample basis, used in the models with market information to assess whether they were aligned with market and economic development; • testing, on a sample basis, the mathematical accuracy of the Group's calculation of the ECL allowances; and • evaluating the reasonableness of the disclosures on the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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 Shum Yiu Man.

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

25 March 2024

(Expressed in Hong Kong dollars)

	Note	2023 HK$'000	2022 HK$'000
Revenue	5	**618,215**	426,340
— Interest income calculated using the effective interest method		**200,307**	97,141
— Revenue from contracts with customers within the scope of HKFRS 15		**224,862**	235,506
— Revenue from other sources		**193,046**	93,693
Other losses, net	5	**(43,868)**	(119,535)
Commission expenses		**(31,290)**	(56,006)
Employee benefit expenses	7	**(248,925)**	(297,992)
Depreciation	7	**(54,858)**	(66,197)
Interest expenses	7	**(127,978)**	(108,118)
Net charges for expected credit losses	6	**(129,381)**	(536,855)
Other expenses	6	**(106,442)**	(112,742)
Loss before taxation	7	**(124,527)**	(871,105)
Income tax	10	**(67,927)**	(8,819)
Loss for the year		**(192,454)**	(879,924)
Loss per share			
Basic and diluted	12	**HK(12.33) cents**	HK(56.36) cents

The notes on pages 94 to 184 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December

(Expressed in Hong Kong dollars)

	2023 HK$'000	2022 HK$'000
Loss for the year	**(192,454)**	(879,924)
Other comprehensive income for the year:		
Items that may be reclassified to the consolidated statement of profit or loss in subsequent periods		
Financial assets at fair value through other comprehensive income — Net movement in fair value reserve (recycling)	**22,550**	(4,704)
Exchange gain/(loss) on translation of financial statements of foreign operations	**199**	(7,522)
Other comprehensive income, net of tax	**22,749**	(12,226)
Total comprehensive income for the year	**(169,705)**	(892,150)

The notes on pages 94 to 184 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December

(Expressed in Hong Kong dollars)

	Note	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current assets			
Property, plant and equipment	13	**9,882**	5,977
Right-of-use assets	14	**76,608**	108,557
Stock and Futures Exchange trading rights	15	**4,212**	4,212
Other assets	16	**71,857**	26,395
Other financial assets	19	**216,096**	391,462
Deferred tax assets	17	**26,743**	89,326
Total non-current assets		**405,398**	625,929
Current assets			
Financial assets at fair value through profit or loss	18	**3,663,108**	3,739,178
Other financial assets	19	**70,352**	346,516
Accounts receivable	20	**2,697,520**	2,835,339
Loans and advances	21	**1,073,842**	1,308,845
Prepayments, deposits and other receivables	22	**213,224**	275,171
Reverse repurchase agreement		**172,462**	901,633
Tax recoverable		**12,734**	45,942
Bank balances held on behalf of clients	23	**3,255,979**	5,199,634
Cash and bank balances	24	**1,287,243**	1,238,496
Total current assets		**12,446,464**	15,890,754
Current liabilities			
Financial liabilities at fair value through profit or loss	25	**3,002,192**	2,950,371
Accounts payable	26	**5,945,953**	6,523,725
Contract liabilities		**837**	1,745
Other payables and accruals	27	**362,924**	670,584
Repurchase agreement		**—**	173,706
Interest-bearing bank borrowings	28	**234,360**	1,489,227
Notes issued	29	**416,547**	—
Bond issued	30	**—**	1,559,400
Lease liabilities	31	**48,953**	48,464
Tax payable		**2,989**	62,919
Total current liabilities		**10,014,755**	13,480,141
Net current assets		**2,431,709**	2,410,613
Total assets less current liabilities		**2,837,107**	3,036,542

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

Year ended 31 December

	Note	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current liabilities			
Deferred tax liabilities	*17*	**546**	662
Lease liabilities	*31*	**46,383**	75,997
Total non-current liabilities		**46,929**	76,659
NET ASSETS		**2,790,178**	2,959,883
EQUITY			
Equity attributable to ordinary equity shareholders of the Company:			
Share capital	*32*	**2,782,477**	2,782,477
Other reserves	*33*	**7,701**	177,406
TOTAL EQUITY		**2,790,178**	2,959,883

Approved and authorised for issue by the board of directors on 25 March 2024.

Wu Meng
Director

Liang Jun
Director

The notes on pages 94 to 184 form part of these financial statements.

(Expressed in Hong Kong dollars)

		Attributable to ordinary equity holders of the Company								
	Note	Share Capital (Note 32) HK$'000	Capital reserve HK$'000	General reserve HK$'000	Revaluation reserve (Recycling) HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022		2,782,477	15*	138*	(18,827)*	7,320*	1,080,910*	3,852,033	2,626	3,854,659
Loss for the year		—	—	—	—	—	(879,924)	(879,924)	—	(879,924)
Other comprehensive income:										
Financial assets at fair value through other comprehensive income										
— Net movement in fair value reserve (recycling)		—	—	—	(4,704)	—	—	(4,704)	—	(4,704)
Exchange loss on translation of financial statements of foreign operations		—	—	—	—	(7,522)	—	(7,522)	—	(7,522)
Total comprehensive income		—	—	—	(4,704)	(7,522)	(879,924)	(892,150)	—	(892,150)
Disposal of a subsidiary		—	—	—	—	—	—	—	(2,626)	(2,626)
At 31 December 2022		2,782,477	15*	138*	(23,531)*	(202)*	200,986*	2,959,883	—	2,959,883
At 1 January 2023		**2,782,477**	**15***	**138***	**(23,531)***	**(202)***	**200,986***	**2,959,883**	**—**	**2,959,883**
Loss for the year		—	—	—	—	—	(192,454)	(192,454)	—	(192,454)
Other comprehensive income:										
Financial assets at fair value through other comprehensive income										
— Net movement in fair value reserve (recycling)		—	—	—	22,550	—	—	22,550	—	22,550
Exchange gain on translation of financial statements of foreign operations		—	—	—	—	199	—	199	—	199
Total comprehensive income		—	—	—	22,550	199	(192,454)	(169,705)	—	(169,705)
At 31 December 2023		**2,782,477**	**15***	**138***	**(981)***	**(3)***	**8,532***	**2,790,178**	**—**	**2,790,178**

* These reserve accounts comprise the other reserves of HK$7,701,000 (2022: HK$177,406,000) in the consolidated statement of financial position.

The nots on pages 94 to 184 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December

(Expressed in Hong Kong dollars)

	Note	2023 HK$'000	2022 HK$'000 (Restated)
Cash flows from operating activities			
Loss before taxation		**(124,527)**	(871,105)
Adjustments for:			
Depreciation	*7*	**54,858**	66,197
Interest income	*5*	**(200,307)**	(97,141)
Dividend income		**—**	(1,277)
Interest expenses	*7*	**127,978**	108,118
Loss on disposal of consolidated investment funds	*5*	**—**	15,153
Net charges for expected credit losses	*6*	**129,381**	536,855
Loss on disposal of right-of-use assets	*14*	**—**	394
		(12,617)	(242,806)
Increase in other assets		**(45,462)**	(3,270)
Net decrease in financial assets at fair value through profit or loss		**76,070**	2,388,142
Net decrease in other financial assets		**446,947**	814,499
Net increase/(decrease) in financial liabilities at fair value through profit or loss		**51,821**	(2,449,681)
Decrease/(increase) in reverse repurchase agreement		**729,324**	(92,567)
Decrease in accounts receivable		**34,853**	1,608,215
Decrease in loans and advances		**235,003**	1,247,682
Decrease in prepayments, deposits and other receivables		**68,677**	904,092
Decrease/(increase) in bank balances held on behalf of clients		**1,946,864**	(527,517)
(Decrease)/increase in contract liabilities		**(908)**	185
Decrease in accounts payable		**(577,772)**	(1,810,229)
(Decrease)/increase in other payables and accruals		**(307,461)**	25,993
Cash generated from operations		**2,645,339**	1,862,738
Hong Kong Profits Tax (paid)/refunded		**(34,756)**	5,463
Overseas taxes paid		**(70)**	(2,983)
Net cash flows generated from operating activities		**2,610,513**	1,865,218

	Note	2023 HK$'000	2022 HK$'000 (Restated)
Cash flows from investing activities			
Purchases of property, plant and equipment	*13*	**(11,866)**	(2,667)
Interest received		**193,577**	75,736
Dividend received		**—**	1,277
Disposal of consolidated investment funds		**—**	(32,268)
Net cash flows generated from investing activities		**181,711**	42,078
Cash flows from financing activities			
Net repayments on bank loans	*24(b)*	**(1,241,740)**	(2,018,053)
Decrease in repurchase agreement	*24(b)*	**(173,706)**	(625,011)
Interest paid	*24(b)*	**(139,368)**	(99,052)
Capital element of lease rentals paid	*24(b)*	**(44,073)**	(60,208)
Interest element of lease rentals paid	*24(b)*	**(1,737)**	(2,582)
Net proceeds from notes issued	*24(b)*	**416,547**	—
Net (repayment)/proceeds from bond issued	*24(b)*	**(1,559,400)**	1,559,400
Net cash flows used in financing activities		**(2,743,477)**	(1,245,506)
Net increase in cash and cash equivalents		**48,747**	661,790
Cash and cash equivalents at the beginning of year		**1,238,496**	576,706
Cash and cash equivalents at the end of year	*24(a)*	**1,287,243**	1,238,496

The notes on pages 94 to 184 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION

Shenwan Hongyuan (H.K.) Limited ("the Company") is a limited liability Company incorporated in Hong Kong. The registered office of the Company is situated at Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong.

During the year, Shenwan Hongyuan (H.K.) Limited and its subsidiaries (together "the Group") were involved in the following principal activities:

— brokerage business

— corporate finance business

— asset management business

— financing and loans business

— investment and other business

The Company is a subsidiary of Shenwan Hongyuan (International) Holdings Limited, a Company incorporated in Hong Kong with limited liability. In the opinion of the directors, the ultimate holding company of the Company is Shenwan Hongyuan Group Co., Ltd., which is established in the People's Republic of China (the "PRC") and listed in Shenzhen Stock Exchange (stock code: 000166) and Hong Kong Stock Exchange (stock code: 6806).

Information about subsidiaries

All of the principal subsidiaries, unless otherwise indicated, are incorporated and operate in Hong Kong. Particulars of the Company's principal subsidiaries are as follows:

Name	Issued ordinary share capital/units	Percentage of equity attributable to the Company				Principal activities
		Direct		Indirect		
		2023	2022	2023	2022	
Shenwan Hongyuan Securities (H.K.) Limited	HK$700,000,000	100	100	—	—	Securities brokerage and margin financing
Shenwan Hongyuan Futures (H.K.) Limited	HK$30,000,000	100	100	—	—	Futures and options brokerage
Shenwan Hongyuan Capital (H.K.) Limited	HK$20,000,000	100	100	—	—	Corporate finance
Shenwan Hongyuan Asset Management (Asia) Limited	HK$10,000,000	100	100	—	—	Provision of asset management services

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information about subsidiaries *(Cont'd)*

Name	Issued ordinary share capital/units	Percentage of equity attributable to the Company: Direct 2023	Direct 2022	Indirect 2023	Indirect 2022	Principal activities
Shenwan Hongyuan Research (H.K.) Limited	HK$300,000	100	100	—	—	Provision of securities research services
Shenwan Hongyuan Strategic Investments (H.K.) Limited	HK$10,000	100	100	—	—	Securities trading and investment holding
Shenwan Hongyuan Finance (H.K.) Limited	HK$25,000,000	100	100	—	—	Provision of financial services
Shenwan Hongyuan Enterprises (H.K.) Limited	HK$15,000,000	100	100	—	—	Provision of management and treasury services
Shenwan Hongyuan Online Limited	HK$2	100	100	—	—	Leasing of computer equipment
Sparkle Well Limited	HK$2	100	100	—	—	Property holding
Wealthy Limited	HK$2	100	100	—	—	Property holding
First Million Holdings Ltd.*	US$1	100	100	—	—	Investment holding
Shenwan Hongyuan Financial Products Company Limited*	US$1	100	100	—	—	Provision of financial services
Shenwan Hongyuan Nominees (H.K.) Limited	HK$1,000	100	100	—	—	Provision of share custodian and nominee services
Shenwan Hongyuan HK Sustainable Energy Fund SP #	USD50,350,000	—	—	41	41	Securities trading and investment holding

* Incorporated in the British Virgin Islands

\# The consolidated investment fund is a subsidiary for the purpose of Appendix D2 of the Listing Rules.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. The financial statements not audited by KPMG reflect total net assets and total profit before taxation constituting HK$450,100,000 and HK$88,194,000 (2022: HK$361,498,000 and HK$36,157,000) of consolidated totals.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the material accounting policies adopted by the Group is set out in note 2.5.

The HKICPA has issued certain amendments HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

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

— Financial assets and liabilities at fair value through profit or loss (see note 2.5(f))

— Financial assets at fair value through other comprehensive income (see note 2.5(f))

— Loans and advances to margin clients (see note 2.5(f))

— Interest in consolidated investment fund attributable to other holders (see note 2.5(f))

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

2.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Cont'd)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2.3 CHANGES IN ACCOUNTING POLICY

The HKICPA has issued following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*
- Amendments to HKAS 8, *Definition of accounting estimates*
- Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the revised HKFRSs are discussed below:

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies

The amendments seek to promote improved accounting policy disclosures that provide useful information to investors and other primary users of the financial statements. The amendments do not have a material impact on the consolidated financial statements.

Amendments to HKAS 8, Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty", and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. The amendments do not have a significant impact on the consolidated financial statements.

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

The amendments narrow the scope of the initial recognition exemption in paragraphs 15 and 24 of HKAS 12 such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition, such as leases and decommissioning liabilities. The amendments do not have a significant impact on the consolidated financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments. These amendments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements: *Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants *("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures: *Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(a) Subsidiaries and non-controlling interests *(Cont'd)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.5(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.5(g)).

(b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(b) Fair value measurement *(Cont'd)*

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy with reference to the observability and significance of the inputs that are used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

For assets and liabilities that are measured at fair value and recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(c) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

— Buildings	4%
— Leasehold improvements	Over the lease terms
— Furniture, fixtures and equipment	15% — 33$^{1}/_{3}$%
— Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(e) Leases

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

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separate non-lease components and accounts for each lease component.

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.5(g)).

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(e) Leases *(Cont'd)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(f) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income ("FVOCI"); and fair value through profit or loss ("FVPL"). When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss for which transaction costs are recognised directly in profit or loss.

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

All financial liabilities are recognised initially at its fair value net of directly attributable transaction costs except in the case of financial liabilities measured at FVPL, for which transaction costs are recognised directly in profit or loss.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(f) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification

Financial asset measured at amortised cost or at FVOCI

A financial asset is measured at amortised cost if it has contractual terms that give rise to cash flows that are solely payments of principal and interest ("SPPI characteristics"). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as profit margin.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— how the performance of the portfolio is evaluated and reported to the Group's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

— how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(f) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification (Cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

— contingent events that would change the amount and timing of cash flows;

— leverage features;

— prepayment and extension terms;

— terms that limit the Group's claim to cash flows from specified assets; and

— features that modify consideration of the time value of money (e.g. periodical reset of interest rate).

Financial asset measured at FVPL

Financial assets which are not held at amortised cost or not held at fair value through other comprehensive income are held at fair value through profit or loss. Financial assets and financial liabilities held at fair value through profit or loss are either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Financial assets and financial liabilities which are mandatorily held at fair value through profit or loss are split between two sub-categories as follows:

— Trading, including financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term and derivatives.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(f) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification (Cont'd)

Financial asset measured at FVPL *(Cont'd)*

— Non-trading mandatorily at fair value through profit or loss, including instruments (other than trading or derivatives) in a business which has a fair value business model, hybrid financial assets that contain one or more embedded derivatives, financial asset that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics and equity instruments that have not been designated as held at FVOCI.

Financial assets and financial liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis.

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

The Group's financial liabilities include accounts payable, other payables and certain accruals and interest-bearing bank borrowings. The Group classified its financial liabilities as subsequently measured at amortised cost except interest in consolidated investment fund attributable to other holders.

Interest in consolidated investment fund attributable to other holders represents the interest redeemable by the other holders of investment funds where the Group has consolidated. The balance is initially recognised at fair value and subsequently remeasured to their fair value at the end of reporting period. The resulting gain or loss is recognised in profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(f) Financial assets and financial liabilities *(Cont'd)*

(iii) Subsequent measurement

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities mandatorily held at fair value through profit or loss and designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in revenue from other sources line in the statement of profit or loss. Contractual interest income on financial assets held at fair value through profit or loss is recognised as realised and unrealised gain/(loss) in the statement of profit or loss.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income ("OCI") is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or expired.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(g) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost and FVOCI

Expected credit losses ("ECLs") are determined for all financial instruments that are classified at amortised cost or at FVOCI, undrawn commitments and financial guarantees. Financial assets measured at FVPL are not subject to the ECL assessment. The Group recognises a loss allowances for ECL on accounts receivable, bank balances, debt securities measured at amortised cost and FVOCI and reverse repurchase agreement.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate; and

— loan commitments: current risk-free rate adjusted for risks specific to the cash flows

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into accounts reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(g) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Measurement of ECLs (Cont'd)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Loss allowances for accounts receivable arising from corporate finance, advisory and other services are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(g) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Significant increases in credit risk

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

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

The group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or

— the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or being more than 90 days past due;

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(g) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Significant increases in credit risk *(Cont'd)*

Credit-impaired financial assets *(Cont'd)*

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Basis of calculation of interest income

Interest income recognised in accordance with note 2.5(o) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(g) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Write-off policy

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

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

(ii) Impairment of other non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets (other than goodwill); and

— investments in subsidiaries, in Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(g) Credit losses and impairment of assets *(Cont'd)*

(ii) Impairment of other non-financial assets (Cont'd)

— **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— **Reversals of impairment losses**

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

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(h) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.5(o)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in note 2.5(g) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.5(o)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(j) Accounts and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2.5(h)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.5(g)).

(k) Cash and bank balances

For the purpose of the consolidated cash flow statement, cash and bank balances comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 2.5(g).

(l) Bank balances held on behalf of clients

The Group has classified clients' monies as bank balances held on behalf of clients under the current assets section of the consolidated statement of financial position and recognised a corresponding accounts payable to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. Bank balance held on behalf of clients are assessed for expected credit losses in accordance with the policy set out in note 2.5(g).

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(m) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(n) Income tax *(Cont'd)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services.

Revenue is recognised when control over service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(o) Revenue and other income *(Cont'd)*

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

(a) Brokerage business income

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(b) Corporate finance business income

(i) Underwriting fee income

Underwriting fee income is recognised when the Group has fulfilled its obligations under the underwriting contract.

(ii) Sponsorship fee income and financial and compliance advisory fee income

Depending on the nature and the contract terms, the income is recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

(c) Asset management fee income

Asset management fee income includes periodic management fees calculated based on assets under management and performance-based fees. The income is recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(d) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.5(g)).

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(o) Revenue and other income *(Cont'd)*

(e) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(f) Investment income

Investment income, including realised fair value gains or losses on listed and unlisted investments trading, recognised on trade date and unrealised fair value gains or losses on changes in fair value recognised at the end of the reporting period.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. The Group also retains its previous retirement scheme (the "ORSO Scheme") registered under the Occupational Retirement Scheme Ordinance as a top-up benefit for its employees.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(q) Employee benefits *(Cont'd)*

(i) Short term employee benefits and contributions to defined contribution retirement plans (Cont'd)

Contributions are made based on a percentage of the employees' relevant income or basic salaries, whichever is greater, and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme and the ORSO Scheme. For the ORSO Scheme, when the contribution exceeds the statutory maximum requirements, the excess contribution is credited as the employer's voluntary contribution to the ORSO Scheme. The employer's mandatory contributions to the MPF Scheme vest fully with the employees when contributed into the MPF Scheme. The employer's voluntary contributions to the ORSO Scheme vest with the employees according to the vesting scale of the ORSO Scheme. Forfeited contributions in respect of employees who leave the Group before their contributions fully vest are available to the Group to offset its future voluntary contributions.

The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Group in independently administered funds.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(iii) 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 negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(r) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

When the functional currencies of overseas subsidiaries are currencies other than Hong Kong dollars, as at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Cont'd)*

(s) Segment reporting

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

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

3 SIGNIFICANT JUDGEMENT AND ACCOUNTING ESTIMATES

The preparation of the Group's financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

(i) Measurement of ECL

Impairment assessment under ECL for financial assets at FVOCI and financial assets at amortised cost.

The impairment assessment under ECL is an area that requires the use of models and assumptions about future economic conditions and the credit risk of the respective financial instrument.

Inputs, assumptions and estimation techniques

ECL is the discounted product of expected future cash flows by using the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), of which PD and LGD are estimates based on significant management judgement. For credit-impaired financial assets, the management considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3 SIGNIFICANT JUDGEMENT AND ACCOUNTING ESTIMATES *(Cont'd)*

Estimation uncertainty *(Cont'd)*

(i) Measurement of ECL (Cont'd)

Forward-looking information

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

(ii) Fair value measurement of financial instruments

Financial assets at FVOCI and FVPL and financial liabilities at FVPL are measured at fair values with fair values determined using various valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 37 for further disclosures.

(iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2023 was amounted to approximately HK$25,520,000 (2022: HK$84,520,000). Further details are contained in note 17 to the financial statements.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable operating segments as disclosed in the below table.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. There is no measure of total assets and liabilities for reportable segments regularly provided to the chief operating decision maker.

	Enterprise finance						
	Corporate finance HK$'000	Principal investment HK$'000	Wealth management HK$'000	Institutional services and trading HK$'000	Asset management HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2023							
Segment revenue from external customers by timing of revenue recognition							
Point in time	57,836	101,428	301,249	127,136	—	—	587,649
Over time	12,189	—	—	—	18,377	—	30,566
Segment revenue from external customers	70,025	101,428	301,249	127,136	18,377	—	618,215
Other income/(losses), net	—	(51,273)	—	—	—	7,405	(43,868)
Segment revenue and other loss from external customers	70,025	50,155	301,249	127,136	18,377	7,405	574,347
Segment results and loss before taxation	(13,070)	18,136	90,292	(191,401)	(35,889)	7,405	(124,527)
Other segment information:							
Interest income	—	—	235,737	62,335	—	—	298,072
Interest expenses	1,101	—	38,307	82,596	5,974	—	127,978
Depreciation expenses	6,478	8,463	25,441	12,550	1,926	—	54,858
Capital expenditure	1,050	1,521	5,758	3,261	276	—	11,866

4 OPERATING SEGMENT INFORMATION *(Cont'd)*

	Enterprise finance						
	Corporate finance HK$'000	Principal investment HK$'000	Wealth management HK$'000	Institutional services and trading HK$'000	Asset management HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2022 (Restated)							
Segment revenue from external customers by timing of revenue recognition							
Point in time	24,914	(11,914)	273,140	99,440	—	—	385,380
Over time	22,081	—	—	—	18,679	—	40,760
Segment revenue from external customers	46,995	(11,914)	273,140	99,440	18,679	—	426,340
Other income/(losses), net	—	34,269	—	—	—	(153,804)	(119,535)
Segment revenue and other loss from external customers	46,995	22,355	273,140	99,440	18,679	(153,804)	306,805
Segment results and loss before taxation	(46,859)	22,355	(15,691)	(641,998)	(35,108)	(153,804)	(871,105)
Other segment information:							
Interest income	—	—	171,304	40,657	—	—	211,961
Interest expenses	1,919	—	22,124	80,564	3,511	—	108,118
Depreciation expenses	7,097	—	40,647	15,673	2,780	—	66,197
Capital expenditure	403	59	1,580	531	93	—	2,666

Geographical information

The Group's operations are substantially located in Hong Kong and substantially all non-current assets of the Group are located in Hong Kong. Therefore, no further analysis of geographical information is presented.

Information about major customers

As the revenue from sales of goods or rendering of services attributable to the 5 largest customers combined is less than 30% of the Group's total revenue during the year, no information about major customers is presented in pursuant to Appendix D2 of Main Board Listing Rules.

5 REVENUE AND OTHER LOSSES, NET

An analysis of revenue, which is also the Group's turnover and other losses, net, are as follows:

(a) Disaggregation of revenue and other gains, net

	2023 HK$'000	2022 HK$'000
Fee and commission income:		
Revenue from contracts with customers within the scope of HKFRS 15:		
Commission on securities dealing in		
— Hong Kong listed securities	59,701	90,941
— Other than Hong Kong listed securities	26,249	32,420
Commission on futures and options contracts dealing	13,817	15,821
Initial public offering, placing, underwriting and sub-underwriting commission	58,509	37,446
Financial advisory, compliance advisory, sponsorship fee income and others	12,189	22,081
Management fee, investment advisory fee income and performance fee income	18,377	18,679
Handling fee income	7,944	2,337
Research fee income and other service income	28,076	15,781
	224,862	235,506
Income from interest-bearing transactions:		
Interest income calculated using the effective interest method:		
Interest income from banks and others	173,691	82,114
Interest income from initial public offering loans	170	111
Interest income from other sources:		
Interest income from loans to cash clients and margin clients	97,765	114,820
	271,626	197,045

5 REVENUE AND OTHER LOSSES, NET *(Cont'd)*

(a) Disaggregation of revenue and other gains, net *(Cont'd)*

	2023 HK$'000	2022 HK$'000
Income from investment business:		
Interest income calculated using the effective interest method:		
Interest income from debt securities	**26,446**	14,916
Income from other sources:		
Net gains/(losses) on financial instruments:		
— Equities and futures	**102,714**	20,051
— Debt securities and derivatives	**(406,106)**	(623,168)
— Structured products	**398,716**	580,285
Dividend income from listed equities	**—**	1,277
Unrealised fair value (losses)/gains on a financial guarantee contract	**(43)**	428
	121,727	(6,211)
	618,215	426,340
Other losses, net:		
Exchange gains/(losses), net	**7,405**	(141,051)
Changes in net assets value attributable to other holders of a consolidated investment fund	**(51,273)**	34,269
Loss on disposal of consolidated investment funds	**—**	(15,153)
Employment Support Scheme subsidy (note)	**—**	2,400
	(43,868)	(119,535)

Note: In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5 REVENUE AND OTHER LOSSES, NET *(Cont'd)*

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

For corporate finance business contracts in existence as at 31 December 2023, the Group will recognise the expected revenue in future when the remaining performance obligations under the contracts are satisfied (see note 2.5(o)). The Group has applied the practical expedient in paragraph 121 of HKFRS 15, as the Group has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

6 OTHER EXPENSES

(a) Net charges for expected credit losses

	2023 HK$'000	2022 HK$'000
Charges on impairment losses on accounts receivable	102,966	451,221
Charges on impairment losses on financial assets at FVOCI	13,075	78,606
Charges on impairment losses on other financial assets at amortised cost	16,702	3,165
(Reversal)/charges on impairment losses on fixed deposits	(3,209)	3,635
(Reversal)/charges on impairment losses on reverse repurchase agreements	(153)	228
	129,381	536,855

(b) Other expenses

The Group's other expenses comprise the followings:

	2023 HK$'000	2022 HK$'000
System expenses and maintenance	50,825	42,313
Office utilities expenses	14,171	17,607
Clearing house and custody fee	8,672	6,385
Introduction and advisory fee	5,699	8,517
Legal and professional fee	5,625	4,690
General office expenses	4,833	5,876
Travelling and transportation fee	3,889	7,408
Public relation and entertainment fee	2,205	5,605
Repair and maintenance expense	813	1,362
Rent and rates	496	988
Others	9,214	11,991
	106,442	112,742

7 LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	2023 HK$'000	2022 HK$'000
Employee benefit expenses (including directors' emoluments — note 8):		
Salaries and other staff costs	237,749	286,331
Retirement benefit scheme contributions	16,897	17,104
Less: Forfeited contributions	(5,721)	(5,443)
Net retirement benefit scheme contributions	11,176	11,661
	248,925	297,992
Interest expenses		
— Loans and overdrafts wholly repayable within five years	72,293	66,347
— Lease liabilities	1,737	2,582
— Bond issued	2,078	26,533
— Repurchase agreements	6,690	12,656
— Funding notes	45,180	—
	127,978	108,118
Depreciation expenses	54,858	66,197
Auditors' remuneration	3,206	3,588

8 DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 HK$'000	2022 HK$'000
Fees	540	540
Other emoluments:		
Salaries, allowances and benefits in kind	3,840*	5,440**
Retirement benefit scheme contributions	384	384
	4,224	5,824
	4,764	6,364

* The evaluation of the performance of the Executive Directors has not yet been completed. Thus, the amount of salaries, allowances and benefits in kind has not been determined and the final amount will be disclosed in due course.

** The amount in 2022 was restated upon completion of evaluation of the performance of the Executive Directors in 2023.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 HK$'000	2022 HK$'000
Ng Wing Hang Patrick	180	180
Kwok Lam Kwong Larry	180	180
Chen Liqiang	180	180
	540	540

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8 DIRECTORS' EMOLUMENTS *(Cont'd)*

(b) Executive directors and non-executive directors

The emoluments paid to executive directors and non-executive director during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2023				
Executive directors:				
Wu Meng	—	—	—	—
Tan Weijun (appointed on 24 March 2023)	—	—	—	—
Zhang Jian (resigned on 20 October 2023)	—	—	—	—
Liang Jun	—	3,840*	384*	4,224*
Hu Jing	—	—	—	—
	—	3,840	384	4,224
Non-executive director:				
Zhang Lei	—	—	—	—
Ren Xiaotao (appointed on 20 October 2023)	—	—	—	—
	—	3,840	384	4,224

* The evaluation of the performance of the Executive Directors has not yet been completed. Thus, the amount of salaries, allowances and benefits in kind has not been determined and the final amount will be disclosed in due course.

8 DIRECTORS' EMOLUMENTS *(Cont'd)*

(b) Executive directors and non-executive directors *(Cont'd)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2022				
Executive directors:				
Wu Meng	—	—	—	—
Guo Chun (resigned on 28 March 2022)	—	1,600**	—	1,600**
Zhang Jian	—	—	—	—
Liang Jun	—	3,840	384	4,224
Hu Jing	—	—	—	—
	—	5,440	384	5,824
Non-executive director:				
Zhang Lei	—	—	—	—
	—	5,440	384	5,824

** The amount in 2022 was restated upon completion of evaluation of the performance of the Executive Directors in 2023.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include one director (2022: one), details of whose emoluments are set out in note 8 above. Details of the remuneration for the year of the four (2022: four) non-directors, highest paid employees are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	10,836	10,476**
Bonuses	3,704*	4,112**
Retirement benefit scheme contributions	677	596**
	15,217	15,184

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022 (restated**)
HK$3,000,001 to HK$3,500,000	1	1
HK$3,500,001 to HK$4,000,000	2	2
HK$4,000,001 to HK$4,500,000	1	1
	4	4

* The evaluation of the performance of the employees has not yet been completed. Thus, the amount of bonuses has not been determined and the final amount will be disclosed in due course.

** The amount in 2022 was restated upon completion of evaluation of the performance of the employees in 2023. Upon completion of evaluation of the performance of employees, the list of four non-directors, highest paid employees are updated.

10 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2023 HK$'000	2022 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,139**	1,619
Under/(over) provision in respect of prior years	**6,895**	(24,239)
	8,034	(22,620)
Current tax — Other	**70**	3,343
Deferred tax (note 17)	**59,823**	28,096
	67,927	8,819

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the appropriate current rates of tax prevailing in the jurisdictions in which the Group operates.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

A reconciliation of the tax expense applicable to loss before taxation at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year at the effective tax rate is as follows:

	2023 HK$'000	2022 HK$'000
Loss before taxation	**(124,527)**	(871,105)
Tax at the statutory tax rate of 16.5% (2022: 16.5%)	**(20,547)**	(143,732)
Under/(over) provision in respect of prior years	**6,895**	(24,239)
Tax effect of non-taxable income	**(33,722)**	(61,865)
Tax effect of non-deductible expenses	**6,626**	78,236
Effect of different tax rates of companies operating in other jurisdictions	**20**	156
Tax effect of tax losses not recognised	**61,501**	119,409
Tax effect of utilisation of unrecognised tax loss	**(12,919)**	(554)
Reversal of tax losses previously recognised as deferred tax assets	**59,000**	35,017
Overseas tax	**70**	2,939
Others	**1,003**	3,452
Tax expense for the year at the Group's effective rate (2023: (54.5%); 2022: (1.0)%)	**67,927**	8,819

11 DIVIDEND

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2023 HK$'000	2022 HK$'000
Final dividend proposed after the end of the reporting period of HK nil cents (2022: HK nil cents) per ordinary share	—	—

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023 HK$'000	2022 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK nil cents (2022: HK nil cents) per ordinary share	—	—

12 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The Group had no potentially dilutive ordinary shares in issue during those years. As at 31 December 2023, the total number of the issued ordinary shares was 1,561,138,689 shares (2022: 1,561,138,689 shares).

	2023	2022
Earnings		
Loss for the year attributable to ordinary equity holders of the Company (HK$'000)	**(192,454)**	(879,924)
Number of shares		
Weighted average number of ordinary shares in issue (in thousands)	**1,561,139**	1,561,139
Loss per share, basic and diluted (HK cents per share)	**(12.33)**	(56.36)

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2023					
At 31 December 2022 and 1 January 2023:					
Cost	4,095	41,975	75,399	2,463	123,932
Accumulated depreciation	(3,228)	(41,256)	(71,008)	(2,463)	(117,955)
Net carrying amount	867	719	4,391	—	5,977
Opening net carrying amount	867	719	4,391	—	5,977
Additions	—	7,046	4,434	386	11,866
Depreciation provided during the year	(31)	(4,403)	(3,507)	(20)	(7,961)
Disposal:					
— Cost	—	—	—	(1,824)	(1,824)
— Accumulated depreciation	—	—	—	1,824	1,824
Closing net carrying amount	836	3,362	5,318	366	9,882
At 31 December 2023:					
Cost	4,095	49,021	79,833	1,025	133,974
Accumulated depreciation	(3,259)	(45,659)	(74,515)	(659)	(124,092)
Net carrying amount	836	3,362	5,318	366	9,882

13 PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2022					
At 31 December 2021 and 1 January 2022:					
Cost	4,095	41,666	73,154	2,463	121,378
Accumulated depreciation	(3,187)	(36,690)	(67,678)	(2,463)	(110,018)
Net carrying amount	908	4,976	5,476	—	11,360
Opening net carrying amount	908	4,976	5,476	—	11,360
Additions	—	309	2,358	—	2,667
Depreciation provided during the year	(41)	(4,566)	(3,443)	—	(8,050)
Disposal:					
— Cost	—	—	(113)	—	(113)
— Accumulated depreciation	—	—	113	—	113
Closing net carrying amount	867	719	4,391	—	5,977
At 31 December 2022:					
Cost	4,095	41,975	75,399	2,463	123,932
Accumulated depreciation	(3,228)	(41,256)	(71,008)	(2,463)	(117,955)
Net carrying amount	867	719	4,391	—	5,977

The Group's buildings included in property, plant and equipment with a net carrying amount of HK$836,000 (2022: HK$867,000) are situated in Hong Kong and are held under a long-term lease.

14 RIGHT-OF-USE ASSETS

The analysis of carrying amount:

	Properties and equipment leased for own use carried at cost HK$'000
Cost	
At 1 January 2022	199,498
Additions	17,871
Disposals	(52,591)
At 31 December 2022 and 1 January 2023	164,778
Additions	14,948
Disposals	(15,735)
At 31 December 2023	**163,991**
Accumulated depreciation:	
At 1 January 2022	**(50,271)**
Charge for the year	**(58,147)**
Disposals	**52,197**
At 31 December 2022 and 1 January 2023	**(56,221)**
Charge for the year	**(46,897)**
Disposals	**15,735**
At 31 December 2023	**(87,383)**
Net book value:	
At 31 December 2023	**76,608**
At 31 December 2022	108,557

14 RIGHT-OF-USE ASSETS *(Cont'd)*

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

	2023 HK$'000	2022 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**46,679**	57,929
Plant, machinery and equipment	**218**	218
	46,897	58,147
Interest on lease liabilities *(note 24(b))*	**1,737**	2,582
Expense relating to short-term leases	**1,653**	536
Expense relating to low-value assets	**989**	1,240

During the year, additions to right-of-use assets were HK$14,948,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 24(c), 31 and 34 respectively.

15 STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	2023 HK$'000	2022 HK$'000
Cost and carrying amount as at 1 January and 31 December	**4,212**	4,212

16 OTHER ASSETS

	2023 HK$'000	2022 HK$'000
Deposits with exchanges and clearing houses	**67,712**	22,110
Unlisted club debentures	**2,470**	2,470
Other deposits and prepayments	**1,675**	1,815
	71,857	26,395

None of the above assets is past due. There are no material expected credit losses for the deposits with exchanges and clearing houses and other deposits.

17 DEFERRED TAX

The movements in deferred tax assets and liability during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000	Deductible temporary differences HK$'000	Credit Loss Allowance HK$'000	Fair value movement of financial assets at FVOCI HK$'000	Total HK$'000
Deferred tax assets					
At 1 January 2022	105,462	47	8,590	2,547	116,646
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	(20,942)	—	(7,295)	—	(28,237)
Deferred tax credited to the reserves during the year	—	—	—	917	917
At 31 December 2022 and 1 January 2023	**84,520**	**47**	**1,295**	**3,464**	**89,326**
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	**(59,000)**	**—**	**(939)**	**—**	**(59,939)**
Deferred tax charged to the reserves during the year	**—**	**—**	**—**	**(2,644)**	**(2,644)**
At 31 December 2023	**25,520**	**47**	**356**	**820**	**26,743**

17 DEFERRED TAX *(Cont'd)*

	Accelerated tax depreciation HK$'000
Deferred tax liabilities	
At 1 January 2022	803
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 10)*	(141)
At 31 December 2022 and 1 January 2023	**662**
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 10)*	**(116)**
At 31 December 2023	**546**

Other than the losses available for offsetting against future taxable profits for which deferred tax assets are recognised as at 31 December 2023, the Group has unrecognised tax losses arising in Hong Kong of HK$1,822,162,000 (2022: HK$1,170,150,000), subject to agreement by the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is uncertain whether sufficient future taxable profits will be available from these group companies against which the tax losses can be utilised. At 31 December 2023, there was no significant unrecognised deferred tax liability (2022: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Financial assets at fair value through profit or loss		
Debt securities	1,487,900	2,349,665
Listed equities	—	203,701
Unlisted equities	453,463	359,889
Unlisted funds	1,681,056	716,254
Derivative financial instruments	40,344	108,809
Financial guarantee contract	345	860
	3,663,108	3,739,178

The following tables summarise the contract/notional amounts and fair values of each class of derivative financial instruments as at 31 December:

	2023		
	Contract/ notional amount HK$'000	Fair values Assets HK$'000	Fair values Liabilities HK$'000
Total return swaps	1,754,565	509	(471)
Exchange rate contracts			
Swaps	983,881	31,130	(24,554)
Options	—	—	—
Futures contracts	1,070,528	3,798	—
Credit Default Swaps	62,376	—	(1,599)
Equity Options	25,977	4,907	(4,907)
		40,344	(31,531)

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Cont'd)*

	2022		
	Contract/ notional amount HK$'000	Fair values Assets HK$'000	Fair values Liabilities HK$'000
Total return swaps	271,724	53,723	(86,633)
Exchange rate contracts			
Swaps	2,399,695	48,355	(23,362)
Options	2,726,496	3,248	(3,240)
Futures contracts	428,835	—	(1,187)
Credit Default Swaps	179,331	—	(2,882)
Equity Options	37,054	3,483	(2,738)
		108,809	(120,042)

19 OTHER FINANCIAL ASSETS

(a) Other financial assets comprises:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Financial assets at fair value through other comprehensive income	**145,252**	580,470
Financial assets at amortised cost	**141,196**	157,508
	286,448	737,978

Analysis by maturity dates:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Debt securities		
Within 12 months	**70,352**	346,516
More than 12 months	**216,096**	391,462
	286,448	737,978

19 OTHER FINANCIAL ASSETS *(Cont'd)*

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

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Debt securities, at fair value *(Note)*	**145,252**	580,470

Note: The Group has recognised expected credit losses in respect of financial assets at FVOCI of HK$13,075,000 in the statement of profit or loss during the year (2022: HK$78,606,000). As at 31 December 2023, allowance for expected credit losses amounted HK$260,380,000 (2022: HK$247,305,000) has been included in fair value reserve (recycling).

During the year, the accumulated loss balance in respect of changes in fair value of the Group's financial assets at fair value through other comprehensive income recognised in other comprehensive income amounted to approximately HK$265,348,000 (31 December 2022: loss of HK$271,946,000).

Movement in expected credit losses is as follows:

	For the year ended 31 December 2023 Expected credit loss				For the year ended 31 December 2022 Expected credit loss			
	Stage1 HK$'000	Stage2 HK$'000	Stage3 HK$'000	Total HK$'000	Stage1 HK$'000	Stage2 HK$'000	Stage3 HK$'000	Total HK$'000
At 1 January	**7,028**	**—**	**240,277**	**247,305**	10,969	41,487	116,243	168,699
Impairment losses (credited)/charged to profit or loss	**(1,545)**	**—**	**18,701**	**17,156**	(3,941)	(41,487)	124,034	78,606
Eliminated from disposal	**(4,081)**	**—**	**—**	**(4,081)**	—	—	—	—
Transfer from level 1 to Level 2	**(85)**	**85**	**—**	**—**	—	—	—	—
At 31 December	**1,317**	**85**	**258,978**	**260,380**	7,028	—	240,277	247,305

19 OTHER FINANCIAL ASSETS *(Cont'd)*

(c) Financial assets at amortised cost

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Debt investments	**203,113**	202,723
Less: Impairment loss on financial assets at amortised cost	**(61,917)**	(45,215)
	141,196	157,508

During the year, allowance for expected credit losses of HK$16,702,000 was recognised (for the year ended 31 December 2022: HK$3,165,000) in the statement of profit or loss.

Movement in expected credit losses is as follows:

	For the year ended 31 December 2023 Expected credit loss				For the year ended 31 December 2022 Expected credit loss			
	Stage1 HK$'000	Stage2 HK$'000	Stage3 HK$'000	Total HK$'000	Stage1 HK$'000	Stage2 HK$'000	Stage3 HK$'000	Total HK$'000
At 1 January	**852**	**—**	**44,363**	**45,215**	5,407	—	36,643	42,050
Impairment losses (credited)/charged to profit or loss	**(95)**	**—**	**16,797**	**16,702**	(4,555)	—	7,720	3,165
At 31 December	**757**	**—**	**61,160**	**61,917**	852	—	44,363	45,215

20 ACCOUNTS RECEIVABLE

(a) Accounts receivable comprise:

	31 December 2023 HK$'000	31 December 2022 HK$'000
Accounts receivable arising from securities dealing		
— Advances to cash clients	21,521	39,491
— Cash clients	1,384,099	1,136,930
— Brokers and dealers	435,694	1,206,653
— Clearing houses	463,959	256,037
	2,305,273	2,639,111
Accounts receivable arising from corporate finance, advisory and other services		
— Corporate clients	1,009,647	649,404
	3,314,920	3,288,515
Less: Expected credit losses (Stage 1)	(3,827)	(1,399)
Less: Expected credit losses (Stage 3)	(613,573)	(451,777)
Total	2,697,520	2,835,339

20 ACCOUNTS RECEIVABLE *(Cont'd)*

(a) Accounts receivable comprise: *(Cont'd)*

The carrying values of accounts receivables arising from the course of business of the Group are as follows:

	Accounts receivable arising from securities dealing:			Accounts receivable arising from corporate finance, advisory and other services:	
	Cash clients HK$'000	Brokers and dealers HK$'000	Clearing houses HK$'000	Corporate clients HK$'000	Total HK$'000
At 31 December 2023					
Stage 1					
Gross carrying amount	1,405,620	435,694	463,959	395,974	2,701,247
Less: ECL	—	(2,430)	(198)	(1,199)	(3,827)
	1,405,620	433,264	463,761	394,775	2,697,420
Stage 3					
Gross carrying amount	—	—	—	613,673	613,673
Less: ECL	—	—	—	(613,573)	(613,573)
	—	—	—	100	100
Total	1,405,620	433,264	463,761	394,875	2,697,520

20 ACCOUNTS RECEIVABLE *(Cont'd)*

(a) Accounts receivable comprise: *(Cont'd)*

	Accounts receivable arising from securities dealing:			Accounts receivable arising from corporate finance, advisory and other services:	
	Cash clients HK$'000	Brokers and dealers HK$'000	Clearing houses HK$'000	Corporate clients HK$'000	Total HK$'000
At 31 December 2022					
Stage 1					
Gross carrying amount	1,176,421	1,206,653	256,037	58,597	2,697,708
Less: ECL	—	(1,209)	(118)	(72)	(1,399)
	1,176,421	1,205,444	255,919	58,525	2,696,309
Stage 3					
Gross carrying amount	—	—	—	590,807	590,807
Less: ECL	—	—	—	(451,777)	(451,777)
	—	—	—	139,030	139,030
	1,176,421	1,205,444	255,919	197,555	2,835,339

20 ACCOUNTS RECEIVABLE *(Cont'd)*

(b) Ageing analysis of accounts receivable

An ageing analysis of accounts receivable from cash clients and advances to cash clients based on the trade date is as follows:

	2023 HK$'000	2022 HK$'000
Within 1 month	**1,381,521**	1,154,444
1 to 2 months	**5,512**	520
2 to 3 months	**147**	127
Over 3 months	**18,440**	21,330
	1,405,620	1,176,421

The ageing of accounts receivable from clearing houses, brokers and dealers are within one month and are not past due. They represent (1) pending trades arising from business of dealing in securities, which are normally due within a few days after the trade date, (2) deposits at clearing houses arising from the business of dealing in securities, futures and options contracts and (3) cash and deposits balances at brokers and dealers.

The ageing of accounts receivable from corporate clients arising from corporate finance, advisory and other services are mostly within one month. As at 31 December 2023, balances of HK$608,398,000 (2022: HK$451,912,000) were over 3 months past due, balance of HK$1,865,000 (2022: HK$172,000) were 1 to 3 months past due, balance of HK$nil (2022: HK$86,000) were less than 1 month past due, and balances of HK$399,384,000 (2022: HK$197,234,000) were not past due.

Save for the credit period allowed by the Group, the accounts receivable from cash clients shall be due on the settlement dates of the respective securities and futures contract transactions. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collaterals or other credit enhancements over its accounts receivable from cash clients, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Advances to cash clients of HK$21,521,000 (2022: HK$39,491,000) bear interest at interest rates mainly with reference to the Hong Kong dollar prime rate. Advances to cash clients is covered by securities deposited with the Group of total market value HK$1,324,779,000 (2022: HK$757,158,000).

20 ACCOUNTS RECEIVABLE *(Cont'd)*

(b) Ageing analysis of accounts receivable *(Cont'd)*

The ageing analysis of the accounts receivable from cash clients and advances to cash clients based on the settlement date, is as follows:

	2023 HK$'000	2022 HK$'000
Not past due	**1,378,846**	1,136,930
Less than 1 month past due	**3,245**	17,514
1 to 3 months past due	**5,103**	647
Over 3 months past due	**18,426**	21,330
	1,405,620	1,176,421

Receivables that were not past due relate to a large number of diversified customers for whom there was no recent history of default and are covered by securities deposited with the Group. There are no material expected credit losses for these receivables.

Receivables that were past due relate to a large number of diversified cash clients. Based on past experience, the directors of the Company consider there are no material expected credit losses in respect of these balances as they are covered by securities deposited with the Group and there has not been a significant change in credit quality.

21 LOANS AND ADVANCES

Loans and advances represent loans and advances to margin clients amounted to HK$1,073,842,000 (2022: HK$1,308,845,000) which are measured at fair value through profit or loss at the reporting date.

Customers are required to provide collateral to the Group for the loans and advances granted. As at 31 December 2023, the total market value of the securities pledged by customers to the Group as collateral in respect of the above loans and advances to customers was HK$3,831,185,000 (2022: HK$5,503,025,000). None of such collateral was pledged with banks to secure the Group's utilised bank loans (note 28) and unutilised bank facilities as at 31 December 2023.

The Group is allowed to dispose of the collateral in settlement of the customers' obligation to maintain the agreed level of margin and any other liability of the customers due to the Group. The Group is allowed to deposit the collateral with an authorised institution as collateral for financial accommodation provided to the Group according to the applicable legislations and regulations.

In view of the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans and advances to margin clients of HK$1,073,842,000 (2022: HK$1,308,845,000) bear interest at interest rates mainly with reference to the Hong Kong dollar prime rate.

The Group's loans and advances to customers were repayable on demand at the end of the reporting period.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Prepayments	**20,312**	30,992
Deposits and other receivables	**192,912**	244,179
	213,224	275,171

None of the above assets is past due. The financial assets included in the above balances relate to counterparties for which there was no recent history of default. There was no material expected credit losses for these balances.

23 BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with authorized banks to hold clients' monies in accordance with the relevant legislation. The Group is allowed to retain some or all of the interest on the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations. There are no material expected credit losses for these balances.

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(a) Cash and bank balances:

As at 31 December 2023, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$96,234,000 (2022: HK$78,268,000).

Cash at bank balances earn interest at floating rates based on daily bank deposit rates. Short-term time deposit is made for one week, and earns interest at the respective short-term time deposit rates. The cash and bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, allowance for expected credit losses of HK$761,000 was recognised (2022: HK$3,970,000) for cash and bank balances.

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Cont'd)*

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities (Note 30) HK$'000	Interest-bearing bank borrowings (Note 28) HK$'000	Bond issued (Note 29) HK$'000	Notes issued HK$'000	Repurchase agreements HK$'000	Total HK$'000
At 1 January 2023	124,461	1,489,227	1,559,400	—	173,706	3,346,794
Change from financing cash flows:						
Net proceeds from bank loans	—	(1,241,740)	—	—	—	(1,241,740)
Net proceeds from notes issued	—	—	—	416,547	—	416,547
Net repayment of bond issued	—	—	(1,559,400)	—	—	(1,559,400)
Decrease in repurchase agreements	—	—	—	—	(173,706)	(173,706)
Interest paid	—	(85,420)	(2,078)	(45,180)	(6,690)	(139,368)
Capital element of lease rentals paid	(44,073)	—	—	—	—	(44,073)
Interest element of lease rentals paid	(1,737)	—	—	—	—	(1,737)
	(45,810)	(1,327,160)	(1,561,478)	371,367	(180,396)	(2,743,477)
Other change:						
Increase in lease liabilities from entering into new leases during the period	14,948	—	—	—	—	14,948
Interest expenses	1,737	72,293	2,078	45,180	6,690	127,978
At 31 December 2023	95,336	234,360	—	416,547	—	746,243

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Cont'd)*

(b) Reconciliation of liabilities arising from financing activities *(Cont'd)*

	Lease liabilities (Note 30) HK$'000	Interest-bearing bank borrowings (Note 28) HK$'000	Bond issued (Note 29) HK$'000	Notes issued HK$'000	Repurchase agreements HK$'000	Total HK$'000
At 1 January 2022	166,798	3,500,796	—	—	798,717	4,466,311
Change from financing cash flows:						
Net proceeds from bank loans	—	(2,018,053)	—	—	—	(2,018,053)
Net proceeds from bond issued	—	—	1,559,400	—	—	1,559,400
Decrease in repurchase agreements	—	—	—	—	(625,011)	(625,011)
Interest paid	—	(59,863)	(26,533)	—	(12,656)	(99,052)
Capital element of lease rentals paid	(60,208)	—	—	—	—	(60,208)
Interest element of lease rentals paid	(2,582)	—	—	—	—	(2,582)
	(62,790)	(2,077,916)	1,532,867	—	(637,667)	(1,245,506)
Other change:						
Increase in lease liabilities from entering into new leases during the period	17,871	—	—	—	—	17,871
Interest expenses	2,582	66,347	26,533	—	12,656	103,190
At 31 December 2022	124,461	1,489,227	1,559,400	—	173,706	3,346,794

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Cont'd)*

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023 HK$'000	2022 HK$'000
Within financing cash flows	**45,810**	62,790

These amounts relate to the following:

	2023 HK$'000	2022 HK$'000
Lease rentals paid	**45,810**	62,790

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Funding note issued*	**—**	817,515
Structured note issued	**2,705,043**	1,085,485
Short position in debt securities	**265,618**	927,329
Derivative financial instruments	**31,531**	120,042
	3,002,192	2,950,371

* There is nil funding notes, with original maturity periods less than one year, issued and outstanding as at 31 December 2023 (2022: three). In 2022, the coupon rate for the three funding notes ranged from 2.95% to 4.4% per annum.

26 ACCOUNTS PAYABLE

	2023 HK$'000	2022 HK$'000
Accounts payable		
— Clients	**5,780,823**	6,334,669
— Brokers and dealers	**119,414**	110,699
— Clearing houses	**45,716**	78,357
	5,945,953	6,523,725

All of the accounts payable are aged and due within one month or on demand.

27 OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Other payables	**55,599**	346,947
Accruals	**51,097**	118,960
Interest in consolidated investment fund attributable to other holders	**256,228**	204,677
	362,924	670,584

Other payables are non-interest-bearing and have an average term of within one year.

As at 31 December 2023 and 2022, interest in consolidated investment fund attributable to other holders represented the share of net asset value of the investment fund held by third parties which was recorded as a liability since these third parties can, on their discretion at any time, to redeem their participating shares for cash or in species by reference to the equivalent fair value of the investment fund at the date of redemption. Accordingly, interest in consolidated investment fund attributable to other holders of approximately HK$256,228,000 (2022: HK$204,677,000) was classified as a liability as at 31 December 2023.

28 INTEREST-BEARING BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank loans repayable within one year or on demand	**234,360**	1,489,227

Notes:

(a) As at 31 December 2023 and 2022, none of the Group's bank loans was secured by the marketable securities pledged by customers to the Group.

As at 31 December 2023, the Company had provided guarantee to its subsidiary's bank loan facilities of HK$1,725,425,000 (2022: HK$1,725,425,000). None of them has been utilised as at 31 December 2023 (2022: HK$Nil).

(b) As at 31 December 2023 and 2022, borrowings are denominated in United States dollars and Hong Kong dollars.

(c) The carrying amounts of the Group's borrowings approximate to their fair values.

29 NOTES ISSUED

There are four (2022: nil) funding notes amounted to HK$416,547,000, with original maturity periods less than one year, issued and outstanding as at 31 December 2023. In 2023, the coupon rate for the four funding notes ranged from 5.65% to 5.70% per annum.

30 BOND ISSUED

On 27 January 2022, the Company issued unsecured and unguaranteed bonds in principal amount of US$200 million which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 1.5% per annum with a maturity period of 364 days. The principal was fully repaid on the maturity date at of 26 January 2023.

Please refer to the Company's announcement on 21 January 2022, 27 January 2022 and 28 January 2022 for details of the issuance of bonds.

31 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	31 December 2023		31 December 2022	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**48,953**	**50,290**	48,464	49,944
After 1 year but within 2 years	**46,326**	**46,984**	36,264	37,005
After 2 years but within 5 years	**57**	**57**	39,733	40,405
	46,383	**47,041**	75,997	77,410
	95,336	**97,331**	124,461	127,354
Less: total future interest expenses		**(1,995)**		(2,893)
Present value of lease liabilities		**95,336**		124,461
Represent:				
Current		**48,953**		48,464
Non-current		**46,383**		75,997
		95,336		124,461

32 SHARE CAPITAL

	2023 HK$'000	2022 HK$'000
Issued and fully paid:		
1,561,138,689 (2022: 1,561,138,689) ordinary shares	**2,782,477**	2,782,477

A summary of Company's share capital is as follows:

	Number of shares in issue
At 1 January 2022, 31 December 2022 and 31 December 2023	1,561,138,689

33 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

The Group's exchange reserve comprises all foreign exchange differences arising from the translations of the operation activities in foreign currencies.

The Group's revaluation reserve represents the cumulative net change in the fair value of financial assets measured at FVOCI under HKFRS 9 that are held at the end of the reporting period. Net of amounts is reclassified to profit or loss when those financial assets are disposed of or are determined to be impaired.

34 COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to six years (2022: one to six years).

At 31 December 2023, short team lease commitment outstanding not provided for in the financial statements were as follow:

	2023 HK$'000	2022 HK$'000
Within one year	**773**	1,021

At 31 December 2023 and 2022, the Group did not have any other significant commitments.

35 RELATED PARTY TRANSACTIONS

(a) Material related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	**2023 HK\$'000**	2022 HK\$'000
Commission expenses for brokerage services in relation to the PRC capital markets paid to a wholly-owned subsidiary of the ultimate holding company	*(i)*	**149**	232
Consultancy fee expenses for supporting services in relation to PRC market paid to the subsidiaries of the ultimate holding company	*(ii)*	**3,179**	3,779
Consultancy fee income for supporting services in relation to Hong Kong and overseas markets paid by a wholly-owned subsidiary of the ultimate holding company	*(iii)*	**27,769**	10,747
Principal-to-principal trading of financial product with the subsidiaries of the ultimate holding company	*(iv)*	**1,175,376**	429,358
		1,206,473	444,116

Notes:

(i) The commission expenses to a wholly-owned subsidiary of the ultimate holding company were calculated based on the prescribed percentage stated in the signed cooperation agreement for clients' transaction amount in Shenzhen and Shanghai B shares.

(ii) The consultancy fee for supporting service in relation to PRC market paid to the subsidiaries of the ultimate holding company was charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred.

(iii) The consultancy fee for supporting service in relation to Hong Kong and overseas markets paid by a wholly-owned subsidiary of the ultimate holding company was calculated based on a fixed percentage of the relevant commission earned by the wholly-owned subsidiary of the ultimate holding company. The amount is included in the accounts receivable balance as at 31 December 2023 and is unsecured, interest-free and repayable on demand.

(iv) The principal-to-principal trading is between the Group and the subsidiaries of ultimate holding company. The amount represents the net mark-to-market fair value changes related to the trading of bonds, repurchase agreements and total return swaps which included the net gain or loss attributable to the clients and the interest income derived from the leverage financing arrangements provided by the Group to its clients.

(v) Included in the accounts receivable balance as at 31 December 2023 was a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$14,297,000 (2022: HK\$5,939,000) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

35 RELATED PARTY TRANSACTIONS *(Cont'd)*

(a) Material related party transactions *(Cont'd)*

Notes: (Cont'd)

(vi) Included in the accounts receivable as at 31 December 2023 was consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$3,469,000 (2022: HK$3,296,000) arising from supporting service related to assets management. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(vii) Included in the other receivable balance as at 31 December 2023 was consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$Nil (2022: HK$15,250,000) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(viii) Included in the other receivable balance as at 31 December 2023 was a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$40,315,000 (2022: HK$13,983,000) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(ix) Included in the accounts payable balance as at 31 December 2023 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK$248,000 (2022: HK$nil) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

(x) Included in the other payable balance as at 31 December 2023 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK$218,000 (2022: HK$600,000) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

(xi) Included in the brokerage business revenue was a commission rebate paid to a subsidiary of the ultimate holding company of the Company of HK$3,488,000 (2022: HK$3,869,000), which charged at fixed percentage of commission income based on the signed agreement.

(xii) Included in the accounts payable balance as at 31 December 2023 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK$15,206,000 (2022: HK$71,039,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.

(xiii) Included in the other payable balance as at 31 December 2023 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK$nil (2022: HK$54,684,000) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

(xiv) Included in the other receivable balance as at 31 December 2023 was a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$56,258,000 (2022: HK$66,056,000) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(xv) Included in the corporate finance business revenue was an underwriting commission earned from a subsidiary of the ultimate holding company of the Company of HK$nil (2022: HK$1,883,000) arising from bond issuance in Hong Kong market, which was charged at a fixed amount according to signed agreements.

(xvi) Included in the accounts receivable balance as at 31 December 2023 was underwriting fee receivables due from the immediate holding company of HK$1,875,000 (2022: HK$1,836,000). This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(xvii) Included in the other receivable balance as at 31 December 2023 was a receivable due from a subsidiary of the ultimate holding company of HK$1,944,000 (2022: HK$nil) arising from supporting services relating to Hong Kong and overseas market. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

35 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Compensation of key management personnel of the Group:

	2023 HK$'000	2022 HK$'000
Short-term employee benefits	**57,647****	68,427*
Post-employment benefits	**4,071**	4,321
	61,718	72,748

* The compensations for key management personnel were restated as the bonus was revised upon completion of evaluation of performance of key management personnel.

** The evaluation of the performance of the key management personnel has not yet been completed. Thus, the amount of short-term employee benefits not been determined and the final amount will be disclosed in due course

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i-iv) above also constitute continuing connected transactions to be disclosed in annual report as defined in Chapter 14A of the Listing Rules.

36 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets				
Other assets	—	—	71,857	71,857
Other financial assets	145,252	—	141,196	286,448
Financial assets at fair value through profit or loss	—	3,663,108	—	3,663,108
Accounts receivable	—	—	2,697,520	2,697,520
Loans and advances	—	1,073,842	—	1,073,842
Financial assets included in prepayments, deposits and other receivables	—	—	192,912*	192,912*
Reverse repurchase agreement	—	—	172,462	172,462
Bank balances held on behalf of clients	—	—	3,255,979	3,255,979
Cash and bank balances	—	—	1,287,243	1,287,243
	145,252	4,736,950	7,819,169	12,701,371

* The balance of HK$20,312,000 which did not meet the definition of financial assets was excluded in this disclosure.

36 FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

2023 *(Cont'd)*

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities			
Accounts payable	—	5,945,953	5,945,953
Financial liabilities included in other payables and accruals	256,228	104,756*	360,984*
Interest-bearing bank borrowings	—	234,360	234,360
Notes issued	—	416,547	416,547
Financial liabilities at fair value through profit or loss	3,002,192	—	3,002,192
	3,258,420	6,701,616	9,960,036

* The balance of HK$1,923,000 which did not meet the definition of financial liability was excluded in this disclosure.

36 FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

2022

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets				
Other assets	—	—	26,395	26,395
Other financial assets	580,470	—	157,508	737,978
Financial assets at fair value through profit or loss	—	3,739,178	—	3,739,178
Accounts receivable	—	—	2,835,339	2,835,339
Loans and advances	—	1,308,845	—	1,308,845
Financial assets included in prepayments, deposits and other receivables	—	—	244,180*	244,180*
Reverse repurchase agreement	—	—	901,633	901,633
Bank balances held on behalf of clients	—	—	5,199,634	5,199,634
Cash and bank balances	—	—	1,238,496	1,238,496
	580,470	5,048,023	10,603,185	16,231,678

* The balance of HK$30,991,000 which did not meet the definition of financial assets was excluded in this disclosure.

36 FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

2022 *(Cont'd)*

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities			
Accounts payable	—	6,523,725	6,523,725
Financial liabilities included in other payables and accruals	204,677	459,992*	664,669*
Interest-bearing bank borrowings	—	1,489,227	1,489,227
Bond issued	—	1,559,400	1,559,400
Financial liabilities at fair value through profit or loss	2,950,371	—	2,950,371
Repurchase agreement	—	173,706	173,706
	3,155,048	10,206,050	13,361,098

* The balance of HK$5,915,000 which did not meet the definition of financial liability was excluded in this disclosure.

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement ("CNS") money obligations receivable and trade payables with Hong Kong Securities Clearing Company Limited ("HKSCC"), which are included in "accounts receivable" and "accounts payable" as presented in the consolidated statement of financial position, respectively. It intends to settle on a net basis as accounts receivable from or accounts payable to the Stock Exchange. The net amount of CNS money obligations receivable or payable with HKSCC and guarantee fund placed in HKSCC do not meet the criteria for offsetting against each other in the financial statements and the Group does not intend to settle the balances on a net basis.

	As at 31 December 2023					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	2,729,506	(31,986)	2,697,520	—	—	2,697,520
Loans and advances	1,073,842	—	1,073,842	(1,073,842)	—	—
Reverse repurchase agreement	172,462	—	172,462	(172,462)	—	—

	As at 31 December 2023					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	5,977,939	(31,986)	5,945,953	—	—	5,945,953

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Cont'd)*

	As at 31 December 2022					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	2,913,696	(78,357)	2,835,339	—	—	2,835,339
Loans and advances	1,308,845	—	1,308,845	(1,308,845)	—	—
Reverse repurchase agreement	901,633	—	901,633	(901,633)	—	—

	As at 31 December 2022					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	6,602,082	(78,357)	6,523,725	—	—	6,523,725
Repurchase agreement	173,706	—	173,706	(173,706)	—	—

38 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique (see note 2.5(b)).

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			
	Level 1 (Unadjusted quoted prices in active markets) HK$'000	Level 2 (Significant observable inputs) HK$'000	Level 3 (Significant unobservable inputs) HK$'000	Total HK$'000
As at 31 December 2023				
Financial assets at fair value through profit or loss:				
Debt securities	82,393	1,340,485	65,022	1,487,900
Unlisted equities	—	—	453,463	453,463
Unlisted funds	—	—	1,681,056	1,681,056
Derivative financial instruments	3,798	32,928	3,618	40,344
Financial guarantee contracts	—	—	345	345
Loans and advances	—	1,073,842	—	1,073,842
Financial assets at fair value through other comprehensive income:				
Debt investments	—	138,253	6,999	145,252
	86,191	2,585,508	2,210,503	4,882,202
Financial liabilities at fair value through profit or loss:				
Structured note issued	—	(2,705,043)	—	(2,705,043)
Short position in debt securities	—	(263,627)	(1,991)	(265,618)
Derivative financial instruments	—	(27,913)	(3,618)	(31,531)
Financial liabilities included in other payables and accruals	—	—	(256,228)	(256,228)
	—	(2,996,583)	(261,837)	(3,258,420)

38 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

(a) Fair value hierarchy *(Cont'd)*

	Fair value measurement using Level 1 (Unadjusted quoted prices in active markets) HK$'000	Level 2 (Significant observable inputs) HK$'000	Level 3 (Significant unobservable inputs) HK$'000	Total HK$'000
As at 31 December 2022				
Financial assets at fair value through profit or loss:				
Listed equities	203,701	—	—	203,701
Unlisted equities	—	—	359,889	359,889
Unlisted funds	—	—	716,254	716,254
Debt securities	968,589	794,900	586,176	2,349,665
Loans and advances	—	1,308,845	—	1,308,845
Derivative financial instruments	—	108,809	—	108,809
Financial guarantee contracts	—	—	860	860
Financial assets at fair value through other comprehensive income:				
Debt investments	197,472	179,907	203,091	580,470
	1,369,762	2,392,461	1,866,270	5,628,493
Financial liabilities at fair value through profit or loss:				
Funding note issued	—	(817,515)	—	(817,515)
Structured note issued	—	(1,085,485)	—	(1,085,485)
Short position in debt securities	(155,465)	(763,889)	(7,975)	(927,329)
Derivative financial instruments	(1,187)	(34,086)	(84,769)	(120,042)
Financial liabilities included in other payables and accruals	—	—	(204,677)	(204,677)
	(156,652)	(2,700,975)	(297,421)	(3,247,792)

During the years ended 31 December 2023 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2.

During the year, there were transfer of HK$nil (2022: HK$1,026,276,000) into Level 3 and HK$nil (2022:HK$48,672,000) out from Level 3.

38 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Valuation techniques and inputs used in Level 2 and 3 fair value measurements

The Group measures Level 2 and 3 fair values using the following method and there is no change to the valuation technique:

Level 2 — Valuation techniques based on observable input. This category includes debt investments, derivatives financial instruments, funding notes and structured notes issued valued using:

— Quoted market prices in active market for similar instruments;

— Quoted prices for similar instruments in market that are considered less than frequent; or

— Other valuation techniques where all significant inputs are directly or indirectly observable from market data

Level 3 — Valuation techniques based on significant unobservable inputs. This category includes debt securities, derivative financial instruments, unlisted funds and financial guarantee contract valued using:

— Discounted cash flow method

— Net asset value of fund provided by external counterparty

— Market approach where the unobservable input of option-adjusted spread is measured using quantile based approach

— Recent market transaction

38 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Valuation techniques and inputs used in Level 2 and 3 fair value measurements *(Cont'd)*

	Valuation Methodologies	Unobservable Inputs	Unit	Range of unobservable inputs 2023	2022	Relationship to fair value
Debt securities investments	Market approach	Price of comparable companies	USD	0.83-8.55	2.18-101.00	Positive
Debt securities investments	Recent transaction	Cost	USD	N/A	45-100	Positive
Unlisted equity investments	Recent transaction	Latest transfer price	RMB	16.15	12.15	Positive
Unlisted fund	Latest financial information	Net Asset Value per unit	USD	106.67-1,257.13	1.06-126,486	Positive
Derivative financial instruments	Valuation Model	Historical Volatility	%	1.6-4	N/A	Positive
Derivative financial instruments	Valuation Model	Price of underlying investment	USD'000	N/A	66-126	Positive
Debt securities investments	Market approach	Price of comparable companies	USD	1.29-3.73	4.99-13.81	Positive
Derivative financial instruments	Valuation Model	Historical Volatility	%	1.6-4	N/A	Positive
Financial guarantee contracts	Discounted cashflow	Discount rate	%	6.98%	3.76%	Negative
Financial liabilities included in other payables and accruals	Latest financial information	Net Asset Value/ Investment cost	USD '000	56,732.79	45,499.21	Positive

38 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

(c) Reconciliation of level 3 items — FVPL investments

	2023 HK$'000	2022 HK$'000
Unlisted equities:		
At 1 January	**359,889**	—
Payment for purchases	**—**	389,850
Net unrealised gains/(losses) recognised in profits or losses during the period	**93,574**	(29,961)
At 31 December	**453,463**	359,889

	2023 HK$'000	2022 HK$'000
Debt securities:		
At 1 January	**586,176**	237,560
Payment for purchases	**—**	489,928
Proceeds from sales/redemption	**(380,239)**	(20,556)
Transfer in from level 1 and level 2	**—**	1,004,332
Net realised losses recognised in profits or losses during the period	**(429,285)**	(13,822)
Net unrealised gains/(losses) recognised in profits or losses during the period	**288,370**	(1,111,266)
At 31 December	**65,022**	586,176

	2023 HK$'000	2022 HK$'000
Unlisted funds:		
At 1 January	**716,254**	161,806
Payment for purchases	**2,013,446**	626,567
Proceeds from sales/redemption	**(641,531)**	(24,171)
Transfer out from level 3	**—**	(48,672)
Net realised gains recognised in profits or losses during the period	**14,273**	—
Net unrealised (losses)/gains recognised in profits or losses during the period	**(421,386)**	724
At 31 December	**1,681,056**	716,254

38 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

(c) Reconciliation of level 3 items — FVPL investments *(Cont'd)*

	2023 HK$'000	2022 HK$'000
Derivative financial instruments (assets):		
At 1 January	—	15,648
Proceeds from sales/redemption	—	(15,648)
Net realised gains recognised in profits or losses during the period	3,618	—
At 31 December	3,618	—

	2023 HK$'000	2022 HK$'000
Financial guarantee contract:		
At 1 January	860	4,249
Repayment	(472)	(3,817)
Net unrealised (losses)/gains recognised in profits or losses during the period	(43)	428
At 31 December	345	860

	2023 HK$'000	2022 HK$'000
Short position in debt securities (liabilities):		
At 1 January	(7,975)	—
Proceeds from sales/redemption	1,540	—
Transfer in from level 1 and level 2	—	(7,975)
Net realised gains recognised in profits or losses during the period	1,363	—
Net unrealised gains recognised in profits or losses during the period	3,081	—
At 31 December	(1,991)	(7,975)

38 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

(c) Reconciliation of level 3 items — FVPL investments *(Cont'd)*

	2023 HK$'000	2022 HK$'000
Derivative financial instruments (liabilities):		
At 1 January	**(84,769)**	(21,326)
Proceeds from sales/redemption	**84,769**	(20,134)
Net unrealised losses recognised in profits or losses during the period	**(3,618)**	(43,309)
At 31 December	**(3,618)**	(84,769)

	2023 HK$'000	2022 HK$'000
Financial liabilities included in other payables and accruals		
At 1 January	**(204,677)**	—
Net assets value attributable to other holders of a consolidated investment fund upon consolidation	**—**	(227,104)
Change in net assets value attributable to other holders of a consolidated investment fund	**(51,551)**	22,427
At 31 December	**(256,228)**	(204,677)

(d) Reconciliation of level 3 items — FVOCI investments

	2023 HK$'000	2022 HK$'000
Debt securities:		
At 1 January	**203,091**	275,338
Payment for purchases	**—**	58,495
Proceeds from sales/redemption	**(177,410)**	(26,110)
Transfer in from level 1 and level 2	**—**	29,919
Net realised losses recognised in profits or losses during the period	**(8,871)**	—
Net unrealised losses recognised in other comprehensive income during the period	**(9,811)**	(134,551)
At 31 December	**6,999**	203,091

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operating segments include brokerage business, corporate finance business, asset management business, financing and loans business, investment business and other business.

The main risks arising from the Group's normal course of business and its financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's borrowings from banks during the year are for the provision of financing and loans to customers. The bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the Hong Kong dollar prime rate. As the Hong Kong dollar prime rate basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before taxation (through the impact on floating rate borrowings, interest-bearing accounts receivable, cash and bank balances, financial assets at FVOCI, financial assets at amortised cost, and loans and advances) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before taxation HK$'000	Increase/ (decrease) in equity* HK$'000
2023			
Hong Kong dollar	**25**	**(1,961)**	**363**
Hong Kong dollar	**(25)**	**1,961**	**(363)**
2022			
Hong Kong dollar	25	(137)	1,451
Hong Kong dollar	(25)	137	(1,451)

* Excluding retained profits

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Foreign currency risk

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas share markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's revenue. A material portion of such overseas transactions is denominated in United States dollars and RMB. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the consolidated statement of profit or loss. The Group has endeavored to closely monitor its foreign currency positions and take necessary measures when the situations so justify. The Group's revenue denominated in RMB constituted approximately 18% (2022: 12%) of the total revenue.

The following table demonstrates the sensitivity of the Group's major financial assets and financial liabilities at the end of the reporting period denominated in RMB to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before taxation and the Group's equity.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in loss before taxation	Increase in equity*
	%	HK$'000	HK$'000
2023			
If the Hong Kong dollar weakens against the RMB	**8**	**(328)**	**—**
If the Hong Kong dollar strengthens against the RMB	**(8)**	**328**	**—**
2022			
If the Hong Kong dollar weakens against the RMB	8	(11,719)	—
If the Hong Kong dollar strengthens against the RMB	(8)	11,719	—

* Excluding retained profits

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk

The Group has put in place a well-established credit policy governing the granting of credit limit to customers. Customers are generally required to deposit their securities with the Group as collateral to their borrowings. The credit department is responsible for assisting the directors in formulating the credit policy of the Group, monitoring the credit risks of customers with reference to the realisable values of the collateral, managing the concentration of credit risk by customer and recommending measures to the directors for granting credit facilities which exceed the authority limit of the credit department. There are no significant concentrations of credit risk within the Group as it relates to a large number of diversified customers.

The credit risk of the Group's financial assets, which comprise cash and bank balances, bank balances held on behalf of clients, investments in debt securities, other assets, deposits and other receivables, loans and advances and accounts receivable, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and loans and advances are disclosed in notes 20 and 21 to the financial statements, respectively.

Liquidity risk

There is a constant need of funding for the settlement of securities transactions and for the provision of financing and loans to the customers. The source of funding includes the Group's own capital, borrowings from financial institutions and bond issued, if necessary.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both of its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's borrowings from banks and bond issued during the year are for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings and bond issued of the Group ranges from overnight to within one year, where the borrowings and bond issued are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers is able to be realised in the market within a reasonable period of time.

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk *(Cont'd)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
2023					
Accounts payable	**4,374,154***	**1,571,799***	**—**	**5,945,953**	**5,945,953**
Financial liabilities included in other payables and accruals	**—**	**361,001**	**—**	**361,001**	**362,924**
Interest-bearing bank borrowings	**234,360#**	**—**	**—**	**234,360#**	**234,360**
Notes issued	**—**	**417,967**	**—**	**417,967**	**416,547**
Financial liabilities at FVPL	**—**	**3,002,192**	**—**	**3,002,192**	**3,002,192**
Lease liabilities	**—**	**50,290**	**47,041**	**97,331**	**95,336**
	4,608,514	**5,403,249**	**47,041**	**10,058,804**	**10,057,312**
2022					
Accounts payable	4,422,050*	2,101,675*	—	6,523,725*	6,523,725
Financial liabilities included in other payables and accruals	—	664,669	—	664,669	670,584
Bond issued	—	1,559,400	—	1,559,400	1,559,400
Interest-bearing bank borrowings	1,489,227#	—	—	1,489,227#	1,489,227
Financial liabilities at FVPL	—	2,950,371	—	2,950,371	2,950,371
Repurchase agreement	173,706	—	—	173,706	173,706
Lease liabilities	—	49,944	77,410	127,354	124,461
	6,084,983	7,326,059	77,410	13,488,452	13,367,013

* Balance includes bank balances held on behalf of clients (note 23) under the current asset section of the consolidated statement of financial position of HK$3,255,979,000 (2022: HK$5,199,634,000).

\# Included in interest-bearing bank borrowings were certain of the Group's bank loans in the amount of HK$234,360,000 (2022: HK$1,489,227,000), of which the loan agreements contain repayment on demand clauses giving the banks the unconditional right to call in the loans at any time. Therefore, for the purpose of the above maturity profile, the amounts are classified as "on demand".

Had the banks not called in the loan, the scheduled repayment dates of interest bearing bank borrowing were less than 1 year from the end of the reporting period (2022: less than 1 year from the end of the reporting period).

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Price risk

Price risk is the risk that the fair values or future cash flows due to changes in market prices. The Group was exposed to price risk through its financial instruments at fair value through profit or loss (notes 18 and 25) and financial instruments at fair value through other comprehensive income (note 19) as at 31 December 2023.

The following table demonstrates the sensitivity to every 1% change in the fair values of the investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in fair value %	Increase/ (decrease) in loss before taxation HK$'000	Increase/ (decrease) in equity* HK$'000
2023			
Financial assets at fair value through profit or loss:			
— Debt investments	+/-1	-/+14,879	—
— Unlisted equity	+/-1	-/+4,535	—
— Unlisted funds	+/-1	-/+16,811	—
— Derivative financial instruments	+/-1	-/+403	—
— Financial guarantee contract	+/-1	-/+3	—
Financial assets at fair value through other comprehensive income:			
— Debt investments	+/-1	—	+/-1,453
Financial liabilities at fair value through profit or loss:			
— Structured notes issued	+/-1	+/-27,050	—
— Short position in debt securities	+/-1	+/-2,656	—
— Derivative financial instruments	+/-1	+/-315	—
— Financial liabilities included in other payables and accruals	+/-1	+/-2,562	—

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Price risk *(Cont'd)*

	Increase/ (decrease) in fair value %	Increase/ (decrease) in loss before taxation HK$'000	Increase/ (decrease) in equity* HK$'000
2022			
Financial assets at fair value through profit or loss:			
— Listed equities	+/-1	-/+2,037	—
— Debt investments	+/-1	-/+23,497	—
— Unlisted equity	+/-1	-/+3,599	—
— Unlisted funds	+/-1	-/+7,163	—
— Derivative financial instruments	+/-1	-/+1,088	—
— Financial guarantee contract	+/-1	-/+9	—
Financial assets at fair value through other comprehensive income:			
— Debt investments	+/-1	-	+/-5,805
Financial assets at fair value through profit or loss:			
— Funding notes issued	+/-1	+/-8,175	—
— Structured notes issued	+/-1	+/-10,855	—
— Short position in debt securities	+/-1	+/-9,273	—
— Derivative financial instruments	+/-1	+/-1,200	—
— Financial liabilities included in other payables and accruals	+/-1	+/-2,047	—

* Excluding retained profits

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. These externally imposed capital requirements have been complied with the relevant subsidiaries of the Group for the year ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by total equity. The gearing ratio is reviewed and assessed regularly by the board of directors. The gearing ratios as at the end of the reporting periods were as follows:

	2023 HK$'000	2022 HK$'000
Interest-bearing bank borrowings	**234,360**	1,489,227
Total equity	**2,790,178**	2,959,883
Gearing ratio	**8.4%**	50.3%

The decrease in gearing ratio was attributable to the decreased interest-bearing bank borrowing as the Group's strategy is to expand its business including wealth management and institutional service and trading.

40 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current assets		
Other assets	**1,600**	1,960
Interests in subsidiaries	**776,963**	776,963
	778,563	778,923
Current assets		
Amount due from subsidiaries	**8,090,766**	8,043,321
Prepayments, deposits and other receivables	**25,911**	33,274
Cash and bank balances	**30,866**	24,965
Total current assets	**8,147,543**	8,101,560
Current liabilities		
Amount due to subsidiaries	**7,329,089**	4,108,838
Other payables and accruals	**38,658**	100,420
Tax payable	**2,276**	2,611
Bond issued	**—**	1,559,400
Interest-bearing bank borrowings	**234,360**	1,489,227
	7,604,383	7,260,496
Net current assets	**543,160**	841,064
NET ASSETS	**1,321,723**	1,619,987
EQUITY		
Share capital	**2,782,477**	2,782,477
Other reserves	**(1,460,754)**	(1,162,490)
TOTAL EQUITY	**1,321,723**	1,619,987

Approved and authorised for issue by the board of directors on 25 March 2024.

Wu Meng
Director

Liang Jun
Director

40 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

A summary of the Company's reserves is as follows:

	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	656	6,776	7,432
Total comprehensive income for the year	—	(1,169,922)	(1,169,922)
At 31 December 2022 and 1 January 2023	**656**	**(1,163,146)**	**(1,162,490)**
Total comprehensive income for the year	**—**	**(298,264)**	**(298,264)**
At 31 December 2023	**656**	**(1,461,410)**	**(1,460,754)**

The Company's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

41 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current year's presentation.

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