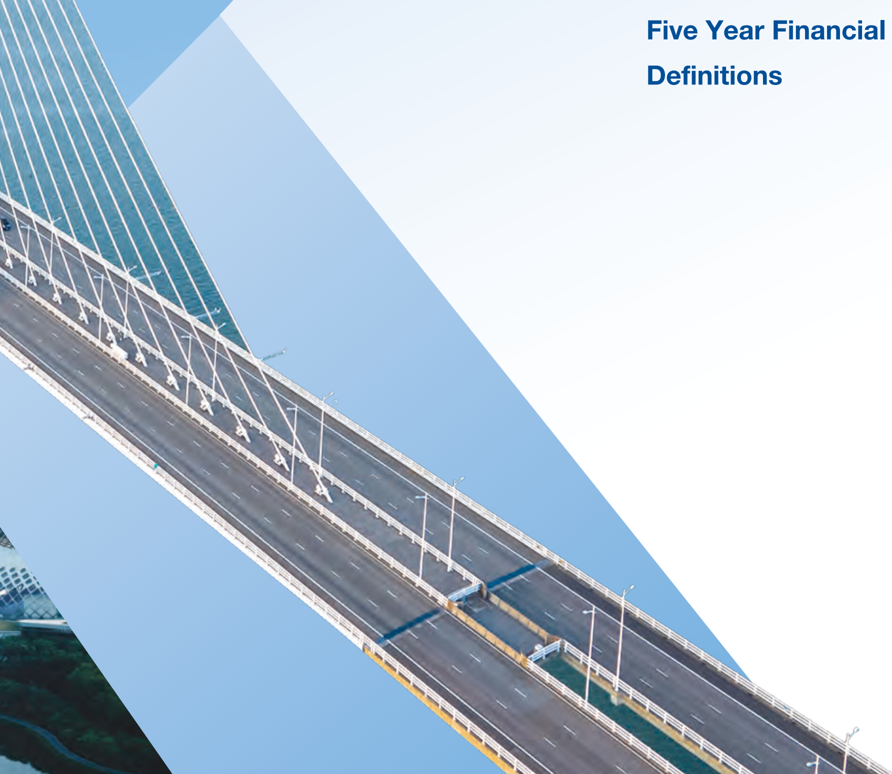
華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 993)

2023
Annual Report

CONTENTS



CORPORATE INFORMATION

Board of Directors

Non-executive Director

Mr. Zhang Xing *(Chairman)*

Executive Directors

Mr. Chen Qinghua *(Chief Executive Officer)*
Mr. Lu Xinzheng

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Ma Lishan
Mr. Guan Huanfei

Audit Committee

Mr. Hung Ka Hai Clement *(Chairman)*
Mr. Ma Lishan
Mr. Guan Huanfei

Remuneration Committee

Mr. Guan Huanfei *(Chairman)*
Mr. Hung Ka Hai Clement
Mr. Ma Lishan

Nomination Committee

Mr. Hung Ka Hai Clement *(Chairman)*
Mr. Zhang Xing
Mr. Ma Lishan
Mr. Guan Huanfei

Executive Committee

Mr. Chen Qinghua *(Chairman)*
Mr. Lu Xinzheng

Risk Management Committee

Mr. Ma Lishan *(Chairman)*
Mr. Zhang Xing
Mr. Chen Qinghua
Mr. Lu Xinzheng

Sustainable Development Committee*

Mr. Guan Huanfei *(Chairman)*
Mr. Chen Qinghua
Mr. Lu Xinzheng

Authorised Representatives

Mr. Lu Xinzheng
Ms. Luo Xiao Jing

Company Secretary

Ms. Luo Xiao Jing

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

15/F, China Huarong Tower
60 Gloucester Road
Wanchai
Hong Kong

* *Mr. Guan Huanfei and Mr. Lu Xinzheng have been appointed as the chairman and a member of the Sustainable Development Committee, respectively, both with effect from 31 March 2024.*

Resident Representative

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

Bank of Communications Co., Ltd.
Hong Kong Branch
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Shanghai Pudong Development Bank Co., Ltd.
Hong Kong Branch

Auditor

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
Registered Public Interest Entity Auditor

Hong Kong Legal Adviser

Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Stock Code

993

Website

www.hrif.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

Year 2023 was an immensely challenging year for international geopolitics and the global market. The Russian-Ukrainian conflict was ongoing without any palpable signs of easing when a new round of conflict broke out between Israel and Palestine in October to drive the world into escalating geopolitical conflict. Developed countries, led by the United States were experiencing persistent inflation, as major central banks generally prolonged their austere monetary policy to keep interest rates at high levels. Against this backdrop, the economic resilience of Mainland China and Hong Kong became apparent, although the insufficiency of effective demand and other issues remained, as economic recovery was still subject to various challenges.

For most investors, the Hong Kong stock market turned out a lacklustre performance in 2023, contrary to the bullish runs in the markets of United States, Japan and others. The Hang Seng Index conceded 13.82% for the year, registering the fourth consecutive year in decline. In the primary market, 70 companies launched their IPOs in Hong Kong, as the aggregate amount raised was reduced by 56%, year-on-year, to HK$46.026 billion, sending the city down by two places in ranking compared to the previous year.

Amidst the complicated and volatile macro-economic landscape and increasingly intense competition in the industry, we persisted in the general principle of "progress despite stability" and continued to procure cost reduction and efficiency enhancement, increasing our effort in risk mitigation through settlement and collection as well as business transformation as we showcased stronger competence in integrated licensed businesses and a firmer stance well-positioned for positive development.

Notable effect in risk mitigation thanks to relentless effort in settlement and collection. In firm adherence to the principle of generating benefits from our existing assets and in continuation of our robust effort in 2022, we focused closely on key sectors, projects and customers with our full endeavour and acumen, planning ahead with target-specific strategies and finishing with efficient execution as we advanced the disposal of assets subject to risk hazards with full force. Values have been enhanced and losses recovered or cut to the maximum extent, as we adopted solid measures to prevent "downward migration" and achieved positive results in "narrowing down exposure, recouping cash and controlling non-performing assets."

Resolute commitment to business transformation underpinning steady progress of new operations. Leveraging the brand value of China CITIC Financial AMC as well as the specialised strengths of our licensed companies, we continued to build a business coordination model of "investment + investment bank" with a special focus on our principal operation on "non-performing assets" and serving the real economy, as we embarked on customer marketing activities and explored opportunities for business cooperation in an ongoing move to foster business strengths underpinned by specialisation, differentiation and unique features. All licensed businesses reported new breakthroughs as we took a solid stride in our transformation towards an asset-light business model.

Persisting in management regime optimisation to reinforce our solid foundation for development. In stringent compliance with laws and regulations of the locations where we operated, we were continuously tracking developments in regulatory policies with a strong focus on key sectors, businesses and links in a vigorous effort to build a regulated corporate governance regime, sound and comprehensive risk management regime, and concise and efficient internal control regime, driving the organic integration of business management and risk control on all fronts and consistently enhancing standardisation and delicacy in internal management to reinforce our foundation for transformation and development.

In 2024, the Group will continue to operate in the midst of a complicated and challenging global economy and market environment. The road ahead calls for nothing else but hard work and diligence. We will actively position our business in the broader context of China CITIC Financial AMC's development, enhancing our corporate governance competence and standards on all fronts as well as our ability to grow and generate revenue and profit, as we continue to drive the Group's qualitative transformation and development.

Zhang Xing
Chairman
28 March 2024

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Non-executive Director

Mr. Zhang Xing, aged 54, has been acting as Chairman of the Board and a non-executive Director of the Company from 17 June 2022. He is also a member of the Nomination Committee and the Risk Management Committee. Mr. Zhang has extensive experience in corporate management and business development and management for financial institutions and investment companies. Mr. Zhang served successively as chief supervisor and chief inspector of CHIH, an indirect controlling shareholder of the Company, from November 2018 to January 2021. Since January 2021, he has been the chairman, director and legal representative of China Huarong (Macau) International Company Limited (held as to 51% by CHIH). Subsequently, he assumed the positions of chairman and director of CHIH from October 2021 to May 2023, and also served as an executive director of CHIH from June 2023 to January 2024. From May 2016 to November 2018, he served successively as the deputy general manager, executive director and executive deputy general manager of China Travel International Investment Hong Kong Limited under China National Travel Service Group Corporation. From August 1991 to May 2016, Mr. Zhang served at the Central Office of the Communist Party of China and the General Office of the State Council with his last held position was inspector of the No. 2 Secretarial Bureau of the General Office of the State Council. During such period, he also once served as an executive member of the Municipal Commission and Deputy Mayor of Lanzhou. Mr. Zhang graduated from Jilin University with a bachelor's degree in law in 1991 and obtained a master's degree in business administration from China Europe International Business School in 2012.

Executive Directors

Mr. Chen Qinghua, aged 45, has been acting as an executive Director and Chief Executive Officer of the Company from 17 June 2022. He is also the Chairman of the Executive Committee and a member of the Risk Management Committee and the Sustainable Development Committee. Currently, he also serves as a director of each of Huarong International Securities Limited, Huarong International Asset Management Limited and Huarong International Capital Limited, which are wholly-owned subsidiaries of the Company. Mr. Chen has extensive experience in the governance, asset management, risk management and legal affairs of listed companies in Hong Kong. He has been deputy general manager of CHIH since December 2020, and has concurrently served as general manager of the asset protection department and general manager of the domestic business department. He was also a director of the company from June 2022 to June 2023. Mr. Chen joined HRIV as deputy general manager in December 2016, overseeing the company's asset management department, M&A financing department, direct investment department and capital markets department. From 9 December 2019 to 31 December 2020, he also served as an executive director of HRIV. Prior to that, Mr. Chen worked with China Development Bank Financial Leasing Co., Ltd. from May 2008 to December 2016 successively as general manager of the legal department, general manager of risk management department, office director and director of the board office. Mr. Chen graduated from Zhongnan University of Economics and Law in 2001 with a bachelor's degree in law and obtained an EMBA degree from Peking University's Guanghua School of Management in 2017.

Mr. Lu Xinzheng, aged 43, has been acting as an executive Director of the Company from 17 June 2022. He is also a member of the Executive Committee, the Risk Management Committee and the Sustainable Development Committee (with effect from 31 March 2024). Mr. Lu has extensive business experience in asset management, securities transaction, special opportunity investment and risk control. He joined the Group in October 2019 and is currently the deputy chief executive officer of the Company. Currently, he is also a director of each of Huarong International Securities Limited, Huarong International Capital Limited and Huarong International Fixed Income Fund SPC, which are wholly-owned subsidiaries of the Company. Prior to joining the Group, Mr. Lu served as the director and head of the board office of CHIH from July to October 2019, and successively as the general manager of the business management department and administration management department and the risk director of Huarong Rongde (Hong Kong) Investment Management Company Limited (a wholly-owned subsidiary of CHIH) from January 2017 to July 2019. He was deputy district governor of Pingchuan District, Baiyin City, Gansu Province from January 2015 to December 2016. He also served as a deputy manager, manager and senior deputy manager of the audit department of China CITIC Financial AMC from June 2009 to December 2014. Mr. Lu graduated from Shanghai University of Finance and Economics and University of International Business and Economics with a bachelor's degree in law, bachelor's degree in management and master's degree in law, and also possesses the professional legal qualification in China, all of which bring with him expertise in the financial, legal and fiscal sectors.

Independent Non-executive Directors

Mr. Hung Ka Hai Clement, aged 68, has been acting as an independent non-executive Director of the Company from 13 December 2019. He is also the chairman of each of the Audit Committee and the Nomination Committee as well as a member of the Remuneration Committee. He obtained a bachelor of arts degree from the University of Huddersfield (now known as University of Lincoln), United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before serving as chairman of Deloitte China from 2014 to 2016. He retired from Deloitte China with effect from June 2016. While working with Deloitte China, Mr. Hung assumed various leadership roles, including the managing partner of Deloitte Shenzhen office and Guangzhou office. He was also a member of the China management team of Deloitte China. Mr. Hung was head of audit of South China and deputy managing partner of South China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global.

Mr. Hung served as the consultant of the Guangzhou Institute of Certified Public Accountants from 2004 to 2014. During the period between 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement as the chairman of Deloitte China, he was appointed as an expert consultant of the MOF in the PRC. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales.

Currently, Mr. Hung serves as a non-executive director of High Fashion International Limited (HKEx: 608), and an independent non-executive director of each of Starjoy Wellness and Travel Company Limited (formerly known as Aoyuan Healthy Life Group Company Limited (HKEx: 3662)), China East Education Holdings Limited (HKEx: 667), Skyworth Group Limited (HKEx: 751), USPACE Technology Group Limited (formerly known as Hong Kong Aerospace Technology Group Limited (HKEx: 1725)) and JX Energy Ltd. (HKEx: 3395). Mr Hung also currently acts as an independent supervisor of the Supervisory Committee of Ping An Insurance (Group) Company of China, Ltd., the shares of which is listed on the Stock Exchange (HKEx: 2318) and the Shanghai Stock Exchange (stock code: 601318). Mr. Hung was an independent non-executive director of each of Tibet Water Resources Ltd. (HKEx: 1115) from 31 December 2019 to 30 June 2021, SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited) (HKEx: 6069, the listing of the shares of which has been transferred to the Main Board from the GEM of the Stock Exchange (HKEx: 8469) with effect from 24 October 2019) from 19 June 2017 to 15 July 2022, and Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited, (HKEx: 628)) from 31 October 2016 to 12 December 2023.

Mr. Ma Lishan, aged 72, has been acting as an independent non-executive Director of the Company from 19 August 2016. He is also the chairman of the Risk Management Committee and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ma has extensive experience in operation and management of modern large-scale corporations and listed companies. Mr. Ma graduated from Beijing Foreign Studies University in the PRC in 1975. He served in various positions such as chairman, executive director, general manager in certain large-scale joint ventures under China Oil & Foodstuff Corporation. From January 1996 to June 2003, Mr. Ma served as an executive director of China Foods Limited (HKEx: 506). From May 1997 to June 2003, Mr. Ma served as an executive director and the managing director of China Foods Limited. From June 2000 to June 2003, Mr. Ma served as the vice president of China Oil & Foodstuff Corporation. Currently, Mr. Ma serves as an independent non-executive director of each of Sunac China Holdings Limited (HKEx: 1918), DIT Group Limited (formerly known as China Minsheng DIT Group Limited (HKEx: 726)) and SRE Group Limited (HKEx: 1207). From 6 March 2008 to 30 December 2021, he was an independent non-executive director of Silver Base Group Holdings Limited (HKEx: 886) and was re-designated as a non-executive director of the company on 30 December 2021 and subsequently resigned on 30 June 2023.

Mr. Guan Huanfei, aged 66, has been acting as an independent non-executive Director of the Company from 23 May 2017. He is also the chairman of the Remuneration Committee and the Sustainable Development Committee (with effect from 31 March 2024), and a member of each of the Audit Committee and the Nomination Committee. Mr. Guan has extensive experiences in the finance and insurance industry in Hong Kong and the PRC. He served various senior managerial positions in the People's Insurance Company of China (Jilin Branch), Hong Kong and Macao Regional Office of China Insurance Group, Ming An Insurance Company (Hong Kong) Limited and China Pacific Insurance Co., (HK) Ltd. Mr. Guan also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, deputy chairman of the credit asset management committee, chairman of the loan verification committee, deputy general manager of the Bank of Communications Hong Kong Branch, the director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Co., Ltd. and an executive director and general manager of BoCommLife Insurance Company Limited. Mr. Guan is also an economic and technical consultant of Jilin Provincial Government.

Mr. Guan is currently an independent non-executive director of China Shandong Hi-Speed Financial Group Limited (currently known as Shandong Hi-Speed Holdings Group Limited, HKEx: 412), China Nonferrous Mining Corporation Limited (HKEx: 1258), Sunwah Kingsway Capital Holdings Limited (HKEx: 188), Shanghai Zendai Property Limited (HKEx: 755), Guangdong-Hong Kong Greater Bay Area Holdings Limited (HKEx: 1396). Mr. Guan has been appointed as an independent non-executive director of CMB Wing Lung Insurance Company Limited since 1 December 2017. From 2 June 2020 to 22 May 2021, Mr. Guan served as an executive director and chairman of the board of directors of Enterprise Development Holdings Limited (HKEx: 1808).

Mr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004 and has also been appointed as a part-time lecturer of professional degree of the university since 2013. Mr. Guan has been appointed as a visiting professor of Jilin University of Finance and Economics since September 2019. Mr. Guan has been appointed as an off-campus postgraduate tutor of the University of International Business and Economics since September 2022. Mr. Guan obtained a doctoral degree in Economics in 2000 from Wuhan University and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002.

Changes in Directors and Information of Directors

Changes in Director of the Company and information of Directors subsequent to the date of the 2023 interim report of the Company are as follows:

(1) Dr. Lam Lee G. resigned as an independent non-executive Director with effect from 31 March 2024 due to other business activities.

(2) Mr. Hung Ka Hai Clement, an independent non-executive Director, ceased to be an independent non-executive director of Gome Finance Technology Co., Ltd. (stock code: 628) with effect from 12 December 2023.

(3) Mr. Zhang Xing, Chairman of the Board and a non-executive Director, ceased to act as an executive director of CHIH since January 2024.

(4) Mr. Guan Huanfei, an independent non-executive Director and a member of the Sustainable Development Committee, was appointed as the chairman of the Sustainable Development Committee, and Mr. Lu Xinzheng, an executive Director, was appointed as a member of the Sustainable Development Committee, both with effect from 31 March 2024.

Senior Management

Mr. Chen Qinghua and Mr. Lu Xinzheng are the Chief Executive Officer and deputy chief executive officer of the Company, respectively. For their biographical details, please refer to the sub-section headed "Board of Directors" above.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the Year, the Group recorded a revenue of approximately HK$202,143,000 (Last Year: approximately HK$276,630,000), net loss on financial assets at fair value through profit or loss of approximately HK$202,905,000 (Last Year: net loss of approximately HK$334,109,000), and net gain arising from disposal of financial assets at fair value through other comprehensive income of approximately HK$2,055,000 (Last Year: net gain of approximately HK$16,507,000) and net gain arising from disposal of financial assets at amortised cost of HK$102,114,000 (Last Year: net loss of approximately HK$217,712,000). Therefore, total revenue, investment gains or losses described above amounted to approximately HK$103,407,000 (Last Year: net loss of approximately HK$258,684,000). The Group recorded a loss for the Year of approximately HK$566,793,000 as compared to a loss of approximately HK$2,228,026,000 for Last Year. Loss attributable to Shareholders for the Year was approximately HK$967,291,000 as compared to that of approximately HK$2,500,007,000 for Last Year. The decrease in net loss for the Year was mainly due to the decrease in impairment provision of HK$259,925,000 (Last Year: HK$1,219,618,000) made by the Group in respect of its direct investment in debt instruments, trade receivables, loans and margin financing advances as well as the decrease in disposal loss of financial assets at amortised cost.

Basic loss per share was HK11.1 cents for the Year as compared to basic loss per share of HK28.7 cents for Last Year. No diluted loss/earnings per share has been presented for the Year and Last Year as there was no dilutive ordinary shares for the Year.

Business Review

In 2023, global economic growth hit the brake amidst considerable uncertainties, as market liquidity was affected by factors such as escalating geopolitical tensions, persistent core inflation and unyielding high interest rates. In Mainland China, while economic growth had returned to a positive trend in general, there was nonetheless a slowdown owing to sluggish global economic performance and weak domestic demand. Hong Kong's overall economic recovery was also slackened, while the Hong Kong stock market underwent bleak conditions. Such factors have presented continuous challenges to the Group's operations.

Securities

Securities business segment includes the provision of online and offline brokerage services, custodian services, margin financing, structured financing and investment advisory services. During 2023, the Group persisted in compliant business operation and expedited business transformation with a focus on its principal licensed business to achieve cost reduction, efficiency enhancement, diversification of revenue sources and conservation of resources with more robust marketing and business development effort, against a complicated economic environment and lacklustre market sentiments. In connection with the development of financial technology, a brand new version of the mobile APP "Huarong Caifutong (華融財富通)" has been successfully launched in smooth operation. In connection with its custodian business, the Group has enhanced business synergy and assisted in the disposal of stock assets in existing projects within the system to increase intermediary income. In connection with the management of existing projects, the Group further improved its risk control measures with enhanced efforts in negotiations and communication with customers to ensure principal and interest repayments as due for existing normal projects.

For the Year, the revenue from the securities segment was approximately HK$11,252,000 as compared to approximately HK$15,373,000 for Last Year. The year-on-year decrease in total revenue was attributable mainly to the decrease in interest income following effort to reduce risk exposures relating to interest-generating assets, coupled with the decrease in revenue from new share subscription, commission and financing interest as a whole in the midst of a lacklustre securities market. Nevertheless, asset quality has been effectively enhanced with the effective reduction of risk exposures following the Group's effort to strengthen risk control over existing projects. Moreover, as a result of the increase in other income and revenue for the Year, and the implementation of cost reduction and efficiency measures to further cut operating costs, the loss in the result of the securities business segment for the Year was reduced to approximately HK$819,000 from approximately HK$39,700,000 for Last Year.

Corporate Finance

During 2023, the Company continued to advance the transformation of its licensed business and step by step forge its advantages in differentiated operations, achieving breakthrough in the corporate finance business in adherence to the business development model of "Investment + Investment Bank" with a strong focus on its licensed business and enhanced marketing efforts against the backdrop of adverse factors such as the ongoing depression of the Hong Kong capital market, the relatively late formation of its investment banking team and limited pipeline of existing projects. During the Year, we successfully advised on projects as a financial advisor in connection with privatization, merger and acquisition, and as a compliance advisor and an investor consulting agent, respectively, as we explored different types of financial advisory services for distressed corporations and played the role of an investment bank in restoring asset value and enhancing asset liquidity. We assisted listed companies with their equity acquisition and asset injection and facilitated reallocation of the resources of listed companies. In the meantime, we assisted the linear asset department of Huarong International to effectively utilise its existing assets, leveraging fully our capabilities in institutional sales as an investment bank.

For the Year, revenue from the corporate finance segment amounted to approximately HK$2,601,000, an improvement compared to approximately HK$502,000 for Last Year. Attributable to the effect of cost reduction and efficiency enhancement measures, the segment result for the Year was loss of approximately HK$3,271,000 as compared to loss of approximately HK$8,925,000 for Last Year.

Asset Management and Direct Investment

The Group's asset management and direct investment segment is engaged in the provision of asset management and fund management services and investment of its own funds in equity, debt, funds, derivative instruments and other financial products. In 2023, the asset management and direct investment business was subject to considerable challenge, given the unyielding high USD interest rate throughout the year and the continuous plummeting of the Hong Kong capital market. To address changes in the market, the Group enhanced its risk control measures in relation to market risks and credit risks and ensured stable performance of its existing assets subject to persistent risk control. Meanwhile, we continued to focus on asset management within the sector of non-performing assets, focusing on and grasping special opportunities in the market of default debt, with a view to realizing countercyclical investment gains against a declining market.

The Group leveraged its build-up and strengths in the non-performing asset business and focused on investment in major non-performing assets to develop an asset management business with distinctive characteristics. By seizing specific market opportunities and catering to market demands, a specialised business and service model with distinct features was developed to offer the market with a wider range of services and product types, enhancing close cooperation with investors to deepen its business development.

For the Year, the revenue from this segment was approximately HK$137,058,000, versus segment revenue of approximately HK$225,155,000 for Last Year. The decrease was attributable mainly to the relative decrease in interest income in line with the reduction in asset size as a result of the ongoing cutback of risk assets. The net losses on financial assets at fair value through profits or loss decreased from approximately HK$334,109,000 for Last Year to approximately HK$202,905,000 for the Year. The segment result for the Year recorded a loss of approximately HK$591,602,000, a substantial decrease as compared to loss of approximately HK$1,702,167,000 for Last Year, reflecting mainly the substantial decrease in provision for impairment made for investment projects.

Financial Services and Others

Financial services and others segment includes provision of finance lease services and other related services in Mainland China. It is focusing on providing services to the basic industries which conform to the PRC's industrial policy and economic development trend, by way of introducing financial leasing to those industries, including logistics, automobile, aviation, solar energy and wind power generation, etc, with a view to obtaining rental income.

During the Year, the revenue from this segment was approximately HK$51,232,000 (Last Year: HK$35,600,000) and net income of approximately HK$102,114,000 (Last Year: HK$0) from the disposal of financial assets at amortised cost. The segment gain for the Year amounted to approximately HK$90,697,000 (Last Year: segment loss of approximately HK$419,907,000), which was mainly attributable to the abovementioned disposal of finance leasing projects during the Year.

Prospects

In 2024, the global economy will continue to be overshadowed by considerable uncertainty given adverse factors such as escalating geopolitical tensions and a market environment of unyielding high interest rates. Against challenges and uncertainties in the external environment, economic growth in Mainland China and Hong Kong will inevitably be subject to pressure.

The Group will closely monitor global developments and overcome any hurdles with focused efforts. In connection with the securities business, the Group will further enhance its operational efficiency and continuously improve its operational compliance in genuine prevention and control of compliance and operational risks. A special emphasis will be placed on the institutional business and the intermediary business to increase revenue contributions from the institutional business. We will also enhance business synergy by fostering close cooperation with the corporate finance business to provide customers with one-stop financial services. Meanwhile, the customer marketing channel will be further broadened by developing connections with private banks and family business offices in Hong Kong. In connection with corporate finance, the Group will gear up its marketing effort to cultivate target customer groups with a special focus on the investment banking business of major non-performing assets, bringing into full play the investment bank's functions in restoring the value and arranging institutional sales of non-performing assets to further increase asset liquidity and assist customers to effectively revitalize existing low-return assets and distressed assets through investment banking initiatives in the capital market. Meanwhile, we will seek to serve the development of the real economy more effectively and answer the service demands of real-economy enterprise in terms of corporate finance and capital market, with a special emphasis on increasing investment of resources in the privatization and return of offshore companies, merger and acquisition of equities in listed companies, asset injection for listed companies and cross-border merger and acquisition of assets, empowering and adding value to real-economy enterprises with the use of investment banking instruments and gradually fostering differentiated competitive edge for the Group's corporate finance business. In connection with asset management, we will address the potential impact of escalating uncertainties in the global market and facilitate stable development of our existing businesses by consistently enhancing our risk management. On the other hand, we will fully grasp special investment opportunities present in this particular stage of the market cycle and make deeper efforts in the "major non-performing asset" segment on the back of its experience and strengths afforded by business synergy in its own financial licenses and non-performing asset businesses to further expand and promote investment businesses in offshore markets. With gradually improving sentiments in the capital market and the gradual decline of the USD interest rate, new driving force and opportunities for business development will materialise as the market comes to a turning point. The Group will continue to focus on its principal businesses and seize investment opportunities in the relief of distressed enterprises, asset utilisation and material reorganisation, among others, in vigorous development of countercyclical asset management businesses.

The Group will focus on the principal business of "major non-performing assets" and procure business transformation on the back of synergies afforded by its licensed business. We will also leverage the advantage of Hong Kong as an international financial centre and the synergy afforded by the Guangdong – Hong Kong – Macau Greater Bay Area to enhance professional financial services in connection with investment opportunities arising from multinational non-performing companies, in order to seek progress while sustaining stability, achieve cost reduction and efficiency enhancement in an effort to add value for Shareholders.

Financial Review

Capital Structure

As at 31 December 2023, the total number of issued Shares of the Company (with par value of HK$0.001 each) was 8,709,586,011. Total Shareholders' equity was approximately HK$-1,656,654,000 (31 December 2022: approximately HK$-732,882,000).

Liquidity and Financial Resources

The Group regularly reviews its liquidity position and actively manages liquidity and financial resources according to the changes in economic environment and business development needs. As at 31 December 2023, the Group had total cash and deposits with banks amounting to approximately HK$1,581,355,000 as compared to approximately HK$1,986,641,000 as at 31 December 2022, excluding client funds that were kept in separate designated bank accounts of approximately HK$95,828,000 (31 December 2022: approximately HK$124,535,000) and deposits in other financial institutions of approximately HK$13,527,000 (31 December 2022: approximately HK$13,527,000). As at 31 December 2023, 67% (31 December 2022: 51%) of the Group's cash and deposits with banks was denominated in HKD or RMB. The Group's gearing ratio as at 31 December 2023 was 130% as compared to 102% as at 31 December 2022, being calculated as borrowings over total assets. The change in debt ratio was attributable to a decrease in the Group's total assets in the Year.

The Group has been committed to expanding the financing channel and maintaining an appropriate allocation of repayment schedules and overall fund application to maintain robust financial position. As at 31 December 2023, the Group obtained shareholder loans and perpetual capital bonds from CHIH in an aggregate principal amount of approximately US$1,069,233,000 (equivalent to approximately HK$8,352,179,000) (31 December 2022: approximately US$1,069,233,000 (equivalent to approximately HK$8,346,884,000)) to support the business of the Group. The proceeds had been applied in full to working capital immediately after closing. Such loans were subject to interest at fixed annual interest rates ranging from 4.3% to 7.98% (31 December 2022: annual rates of 4.3% to 7.98%) and were repayable in one to six years from the end of the Year (31 December 2022: in two to seven years).

As at 31 December 2023, the Group had loans denominated in USD of US$260,940,000 (equivalent to approximately HK$2,039,415,000) from Right Select International Limited (direct controlling shareholder of the Company) (31 December 2022: US$260,940,000 (equivalent to approximately HK$2,034,482,000)). The Group also had a RMB loan of RMB50,000,000 (equivalent to approximately HK$55,174,000) from a fellow subsidiary (31 December 2022: RMB loan of RMB50,000,000 (equivalent to approximately HK$55,974,000)). Such loans were subject to interest at fixed annual interest rates ranging from 3.87% to 5.81% (31 December 2022: annual rates of 3.87% to 5.81%) and were repayable in one to six years from the end of the Year (31 December 2022: in two to seven years).

As at 31 December 2023, the Group had utilised bank credit facilities of approximately HK$820,000,000 (31 December 2022: approximately HK$1,599,000,000), all subject to floating interest rates (31 December 2022: all subject to floating interest rates).

As at 31 December 2023, the Group had undrawn bank credit facilities of approximately HK$886,626,000 (31 December 2022: approximately HK$881,870,000), providing the Group with additional liquidity as and when required.

Taking into account the financial resources and banking and other financing available to the Group, including but not limited to internally generated cashflow, cash on hand and bank balances, and external loans, the Group anticipates sufficient working capital for its present requirements for at least the next 12 months.

For the subsidiaries licensed by the Securities and Futures Commission of Hong Kong, the Group ensures each of the subsidiaries maintains a flexible liquidity level adequate to support the level of regulated activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Year, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

Charges on Group Assets

As at 31 December 2023, the Group had not pledged any time deposits (31 December 2022: nil) to secure the bank loan facilities of the Group.

Foreign Exchange Exposures

The Group's principal operations in Hong Kong and overseas are transacted and recorded in Hong Kong dollars and United States dollars, while principal operations in the PRC are transacted and recorded in Renminbi. The Group is not exposed to material foreign exchange risks because the Hong Kong dollar is pegged to the United States dollar. Other foreign currency exposure is relatively insignificant when compared to our total assets and liabilities. As such, we consider our foreign exchange risk exposure manageable and the Group will closely monitor such risk exposure from time to time.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2023 and 31 December 2022.

Significant Securities Investment

As at 31 December 2023, the Group held the following significant securities investments:

(1) 1,836,000 ordinary shares (31 December 2022: 1,836,000 ordinary shares) and a secured convertible bond issued by ARTA TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) ("**Freeman**"), at a cost of HK$7,803,000 and HK$407,013,000, respectively. Freeman is a company incorporated in Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 279), principally engaging in financial businesses. The shares held by the Group represents 0.01% (31 December 2022: 0.01%) of the equity interests in Freeman. The respective fair values of the shares and convertible bond as at 31 December 2023 were HK$75,000 and HK$278,133,000, which aggregated to approximately 7.1% (31 December 2022: 6.8%) of the total assets of the Group. During the Year, the Group's unrealised fair value loss on the shares of Freeman was HK$134,000. The net loss on the secured convertible bond was HK$89,090,000.

    This significant investment is not primarily held for trading. It was acquired by a subsidiary of HRIV in August 2017 as a long-term investment and subsequently has been in default since April 2019. Freeman had previously entered into the temporary liquidation procedure and a provisional liquidator was appointed. The provisional liquidator conducted an external price inquiry and bidding over the pledge of the project and finally selected a qualified bidder. According to the latest feedback of the bidder, it is expected that the acquisition will not be able to obtain the requisite regulatory approval(s). Therefore, the provisional liquidator expects to seek another suitable buyer for the disposal of the collaterals.

(2) 52,947.8 Class A participating shares and 15,108.1 Class B participating shares of China Special Opportunities Fund SP1 (the "**Fund**"), at a cost of HK$530,615,000. The Fund's principal business comprises its investment in debt securities issued by companies and governments around the world. The fair value of the investment as at 31 December 2023 was HK$262,223,000 (31 December 2022: HK$293,095,000), representing approximately 6.69% of the total asset value of the Group (31 December 2022: 5.11%). The fair value of the Fund for the Year decreased by approximately HK$31,660,000 from HK$293,095,000 at the end of the Last Year, which mainly reflected the downward adjustment to the valuation taking into account the time required for exiting from the Fund. There were no distributions from the Fund during the Year.

    The Group is procuring the fund manager of the Fund to complete the exit and distributions of the underlying assets of the Fund.

(3) The outstanding principal balance of HK$250,000,000 (31 December 2022: HK$250,000,000) and accrued interests of HK$139,216,000 (31 December 2022: HK$79,747,000) of the senior secured bonds (the "**Bonds**") issued by Superactive Group Company Limited (the "**Superactive Group**"). The total principal amount of the Bonds subscribed for by the Group was HK$300,000,000. The Superactive Group was incorporated in Bermuda and listed on the Main Board of the Stock Exchange (stock code: 176), and mainly engages in manufacturing of electronics products, property management and regulated financial services. As the Superactive Group failed to redeem the principal amount of the Bonds and pay the related interests on time, the management expected that the possibility of recovering interests receivable is remote, and made full Impairment provisions on the accrued interests during the Year out of prudence. The fair value of the Bonds as at 31 December 2023 was HK$237,874,000 (31 December 2022: HK$237,874,000), representing approximately 6.07% (31 December 2022: 4.35%) of the Group's total assets.

The Bonds defaulted in March 2021 and the Group is in discussions with the Superactive Group to advance a feasible debt restructuring plan.

Provision for Impairment

I. Overall provision for impairment

The Group recognised impairment provision for expected credit loss for financial assets at amortized cost and financial assets at fair value through other comprehensive income in accordance with the expected credit loss model under Hong Kong Financial Reporting Standards 9 Financial Instruments ("**HKFRS 9**"). Provision for allowance of expected credit losses is computed as the difference between the carrying value of the relevant financial instruments and the present values of estimated future cashflows, taking into account the expected future credit losses of the financial instruments.

The Group has established credit risk policies and processes for impairment assessment in accordance with HKFRS 9, including the establishment and approval of models, as well as the choice and application of assumptions and major inputs. In accordance with HKFRS 9, the Group has distinguished the stages of impairment provision for the relevant items into stage one (no significant increase in credit risk since initial recognition), stage two (significant increase in credit risk) or stage three (credit-impaired) based on the impact of credit risk on the items held.

The major credit risk and expected credit loss faced by the Group is mainly derived from other loans and debt instruments, advances to customers in margin financing, financial assets at fair value through other comprehensive income, finance lease receivables, accounts receivable and amount due from an associate. The Group closely monitors its other loans and debt instruments, advances to customers in margin financing, financial assets at fair value through other comprehensive income, finance lease receivables, accounts receivable and amount due from an associate on an ongoing basis. In the event of the lender or issuer of the item being subject to overdue risks, decline in the value of collaterals or negative public opinion in the market, the Group will conduct thorough investigation of the causes of the events and adopt remedial measures such as timely liaison with the customers for early repayment and obtaining supplementary collaterals from the customers.

At the same time, the Group verifies the stage of impairment provision of the item according to information on the item known or collected. For stage one or stage two, the impairment amount of expected credit loss is determined through the expected credit loss model. For the stage three, impairment is charged according to individual assessment.

The Group recorded net impairment loss of approximately HK$260 million for the Year, which was mainly attributable to the following:

- three real estate sector bonds, classified as the Group's financial assets at fair value through other comprehensive income, were downgraded in 2023 due to the ongoing deterioration of the industry and market environments with notable signs of risk and were classified as stage three assets. Based on prudent consideration, including the credit status of the issuers of the three bonds, the management provided for impairment based on the market value of the bonds as at the end of the Year and total impairment provision of approximately HK$84 million was made in respect of the three bonds for the Year.

- two finance leasing projects entered into by the Group, the debtors of which were two companies principally engaged in wind power generation and solar energy power generation, respectively. As the two companies had been operating on tight cash flows and been affected by the change of local subsidy policies, they had been unable to operate power generation in a normal manner for a period, and the guarantor and de facto controller had been included in the list of domestic discredited parties in China and were considered not to have the ability to make repayments. Given the difficulty of disposing of the leased wind power and solar energy power generation equipment for cash, the Group made a provision for impairment of approximately HK$81 million for the Year. Since the second half of 2022, the credit right assets relating to these projects had been listed on a domestic exchange for sale and the assignment and settlement of the relevant assets were successfully completed in October 2023.

- a fixed income project of the Group entered into in 2017 for investment purpose, the main collaterals of which are equity interests of a project company holding shops in Lijiang, the PRC. The project was classified as stage three in mid-2021 due to consecutive overdue situations. In view of that, the management expected low chances to recover interest receivables for the project and made full impairment provision for the interest accrued out of prudence. The provision for impairment made during the Year amounted to approximately HK$59 million.

- advances in margin financing under a margin financing project of the Group was converted into other loans and debt instruments through a deed of assignment on 29 June 2020. The collateral under the project consisted of shares of a listed company in Hong Kong. The market price of such shares in 2023 further declined compared to the end of 2022 and trading in such company's shares was suspended in the second half of 2023. The Group calculated the recoverable amount of the loan according to the quoted price of the pledged shares immediately prior to the suspension taking into account a liquidity discount, resulting in a further provision for impairment of approximately HK$54 million in respect of such project for the Year.

- a finance lease project entered into by the Group in 2017, the outstanding principal and interest payment of which was completed by the debtor at the end of May 2023. Therefore, provision for impairment of approximately HK$47 million was reversed for the Year.

The Group will assess the expected credit risk and impairment of financial assets at amortised cost and financial assets at fair value through other comprehensive income on an ongoing basis and communicate with the management and/or Board on the impact of the relevant events on specific items and on the financial reporting of the Group in a timely manner in accordance with internal procedures. At the same time, the Group will actively take further actions to collect unrecovered amounts and endeavour to recover amounts from customers through various means, including legal actions and disposal of collaterals.

II. Provision for Impairment of publicly issued bonds

The Group invests in public offer bonds from time to time according to the investment strategy. These bonds are classified as financial assets at fair value through other comprehensive income based on the Business Model Test in accordance with the applicable accounting standard. Fair values of these bonds are measured at their open market prices. In respect of the estimation of expected credit losses ("**ECL**") on these publicly-issued bonds, these bonds are classified into stage 1, 2 or 3 in accordance with the applicable accounting standard. Risk management department of the Company verifies and assesses the information obtained by frontline business teams during its risk management process, and determine the stages of these bonds for provision of ECL.

The amount of impairment of publicly-issued bonds under stage 1 and stage 2 is determined from the ECL model, which is developed by the Company with the assistance of an independent third-party consultant, whereby impairment is measured based on factors such as probability of default, loss given default and exposure at default. Having considered that fair values of these bonds adequately indicate the recoverable value, the amount of impairment of stage 3 publicly-issued bonds is determined according to the market values of these bonds as at the end of the bond period.

The Group made a net impairment provision of HK$82,113,000 for its financial assets at fair value through other comprehensive income for the Year. The investment cost of the main bond products involved is HK$678 million and the carrying amount is HK$134 million, with the remaining maturity mainly ranging from one to five years, and the coupon rate ranging from 3% to 16% per annum. For details of the major impairment provision for the Year for publicly-issued bonds, please refer to the sub-section headed "I. Overall provision for impairment" above.

III. Finance lease business and provision for impairment

Impairment of finance lease projects

As one of the financial services of the Group, the Company provides finance lease services in Mainland China through its indirectly wholly-owned subsidiary Zhongju (Shenzhen) Financial Leasing Co., Ltd. ("**Zhongju Financial Leasing**"). Zhongju Financial Leasing is a wholly-owned subsidiary of HRIV, and has been consolidated into the Group since the privatization of HRIV by the Company in November 2020 (the "**Privatization**").

Zhongju Financial Leasing provides finance lease services mainly by way of sale-and-leaseback model, under which the lessee assigns the ownership of its properties to the lessor and leases the properties back from the lessor for financing purposes. In practice, a lessee enters into a sale-and-purchase agreement with Zhongju Financial Leasing regarding property(ies) for lease to sell such property(ies). Zhongju Financial Leasing pays the consideration to acquire the ownership of such property(ies) and then enters into a sale-and-leaseback agreement with and lease the property(ies) back to the lessee, whereby the lessee pays rental installments to Zhongju Financial Leasing according to the payment schedule.

As at 31 December 2023, Zhongju Financial Leasing held five outstanding finance lease projects which were initially invested back in 2017. The total carrying amount of these projects as at the same date was approximately HK$84 million. These projects accounted for approximately 2.16% of the Group's total assets.

These projects are entered with various counterparties who operate in car leasing, cable and wire equipment, cargo aircraft leasing, etc. In terms of geographical distribution, the finance lease business is conducted in the Mainland China, including Guangdong Province and Anhui Province, etc.

Based on the Group's current business development strategy and positioning, the Group's finance lease business will be mainly focusing on the recovery of the outstanding finance lease projects. The Group does not have any current plan for investment in new finance lease projects in the near future.

Principal terms of finance lease projects

Depending on credit conditions of customers and the quality of collaterals, duration of finance lease projects ranges from three to five years while interest rates of finance lease projects range from 6.8% per annum to 9.75% per annum under the respective sale-and-leases back agreements. Margin deposit at a range from 2% to 7% of the financing amount is received. Customers shall repay the outstanding balance on a quarterly basis.

In addition, finance lease receivables are pledged with electrical cable production equipment, transport vehicles, passenger vehicles and cargo aircrafts, as well as equity interests in companies.

Credit risk assessment and impairment provision for finance lease projects

All the finance lease projects held by the Group are classified as stage 3 for ECL estimation. During 2023, the Company performed analysis and forecast on the realisable values of the leased assets and the pledged collaterals for each finance lease project. Please refer to the sub-section headed "I. Overall provision for impairment" above for details of the impairment provision for finance lease projects.

Key internal control measures

The Group adopts the following internal control measures when conducting the finance lease business:

1. Daily risk monitoring

   Zhongju Financial Leasing conducts ongoing daily tracking and monitoring of the risks associated with invested projects. In the event of any delay in lease payments or breach of other contract terms by the debtors, the alert signal will be activated and Zhongju Financial Leasing will report the conditions to the risk department and management of the Company in a timely manner, and adopt active measures to alleviate the situation. Meanwhile, Zhongju Financial Leasing also closely monitors the operating and financial conditions of lessees and guarantors, requests them to furnish their financial statements each quarter, conducts regular on-site visits and inspection of the debtors to obtain information on their business updates, conditions of the leased assets and project progress, and conduct ongoing assessment and analysis of risks associated with them. The Group will also appoint external specialist(s) to conduct valuation of the leased assets at least annually to monitor movements in their value.

2. Actions taken in respect of overdue projects

   In the event of overdue loans, Zhongju Financial Leasing will issue a loan call demand note to the debtor and maintain close liaison with the debtor and report the latest progress to the Company's risk management department and the management in a timely manner, striving to identify appropriate solutions in a short period of time to eliminate or reduce the project risk. If both parties are unable to reach a settlement before a specified deadline and the risk cannot be alleviated, the Company will resort to a variety of means such as litigation, transfer of credit exposures and introduction of investors to undergo debt restructuring, among others, depending on the current risk conditions of the project. In respect of finance lease projects which are on stage 3, the Company has taken actions to collect payments and will endeavour to exit from the project through the aforementioned means.

3. Management and decision-making process

The Company manages its finance lease projects in accordance with the project management requirements for creditor right projects. The Company's Risk Management Department assesses the impairment of financial assets at amortised cost and financial assets at fair value through other comprehensive income on an ongoing basis and communicates with the management and/or the Board in a timely manner in respect of the impact of relevant events on specific projects and on the Group's financial report. The Company's management reviews on a quarterly basis the results of risk classification for credit right projects, including finance lease projects, as examined by the Risk Management Department and reviews on a half-yearly basis the impairment provision amount of such projects as examined by the Risk Management Department, and makes recommendations to the Board accordingly. At the Board level, the Audit Committee convenes a regular meeting each quarter to discuss with the management on the impaired projects and review the structure review or audit results reported by the external auditor in respect of material accounting matters during the interim review and year-end audit; the Risk Management Committee convenes meetings on a half-yearly basis to receive reports on the development of the Company's risk management organisation structure and systems, key projects risk updates and impairment provisions and make recommendations for improvement, and supervises the ongoing improvement of the Group's risk and internal control mechanism. The Board is responsible for the final approval of the Company's interim and annual financial reports.

Employee and Remuneration Policy

As at 31 December 2023, the Group employed a total of 16 employees (31 December 2022: 43 employees). The Group's recruitment and promotion of staff is based on consideration of multiple factors, such as job nature, market rates, relevant experience, individual merits and development potential of the employees, and may also offer discretionary incentives and bonuses by reference to indicators such as market conditions, the Company's business performance, individual staff performance and fulfilment of compliance requirements, among others, with a view to rewarding staff contributions as well as retaining and incentivising employees with superior competence and extensive experience to continue to deliver value for the Group. Other benefits offered by the Group include, but are not limited to, group medical plans and group life insurance, etc.

The Group is committed to providing employees with an environment conducive to ongoing learning and development. The Group arranges both internal and external multi-dimensional training and development plans for staff and offer incentives for off-duty studies to eligible staff to encourage voluntary learning and ongoing self-improvement to cope with the requirements of the Group's business development.

The Directors present their report and the audited consolidated financial statements of the Group for the Year.

Principal Activities

The principal activity of the Company is investment holding. Details of principal activities of the principal subsidiaries of the Company are set out in note 1 to the consolidated financial statements. During the Year and up to the date of this annual report, the Group operated its businesses by utilising its licences (Types 1, 4, 6 and 9 licences) issued under the SFO.

Results

The Group's results for the Year and the financial position of the Group as at 31 December 2023 are set out on pages 111 to 231 of the consolidated financial statements.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2022: Nil).

Business Review

The business review of the Group for the Year is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and pages 10 to 22 respectively of this annual report, and the discussion contained therein forms part of the Report of the Directors.

Summary Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and reclassified as appropriate, is set out on pages 232 to 233 of this annual report. The summary does not form part of the audited consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

Share Capital

Details of the movements in the Company's share capital during the Year are set out in note 34 to the consolidated financial statements. During the Year, the Company did not issue any new Shares.

Perpetual Capital Securities Classified as Equity Instruments

Details of the movements in the Company's perpetual capital securities classified as equity instruments during the Year are set out in the sub-section headed "Management Discussion and Analysis – Financial Review – Liquidity and Financial Resources" and note 35 to the consolidated financial statements. The perpetual capital securities are classified as equity instruments, as the instruments have not expired and the payments of distribution can be permanently deferred at the discretion of the Company.

Debentures in Issue

Neither the Company nor any of its subsidiaries issued any debentures during the Year.

Equity-linked Agreements

During the Year, the Company did not enter into any equity-linked agreement and there was no equity-linked agreement.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Reserves

Details of the movements in the reserves of the Company and of the Group during the Year are set out on page 116 of the consolidated statement of changes in equity.

Distributable Reserves

As at 31 December 2023, the Company has no reserves available for distribution (31 December 2022: Nil) in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended).

Tax Relief and Exemption

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

Charitable Donations

During the Year, the Group did not make any charitable and other donations (2022: Nil).

Major Customers and Suppliers

During the Year, the aggregate amount of turnover attributable to the Group's five largest customers represented approximately 79% of the Group's total turnover and turnover attributable to the largest customer included therein represented approximately 29.4% of the Group's total turnover during the Year. None of the Directors or any of their close associates or any Shareholder (who, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's largest customers. As the Group is engaged in the provision of financial services, the Directors are of the view that it is of no value to disclose details of the Group's major suppliers.

Principal Risks and Uncertainties

The Group's business is concentrated in Mainland China and Hong Kong, and its business operations mainly depend on the economic and market environment in Mainland China and Hong Kong. The principal risks and uncertainties faced by the Group include without limitation (i) the external environment, as the economy is now recovering in a wave-like development trend after the three-year COVID-19 epidemic and the constant lockdown caused by the epidemic, during which various potential risks have emerged and the investment business is still facing challenges; (ii) credit risks that may arise from credit default due to adverse changes in the operation and financial condition of the Group's business counterparties; (iii) market risks that may arise from the fluctuations in the price of assets invested by the Group due to volatility of interest rate, currency and markets; and (iv) legal and compliance risks, being legal disputes with counterparties that may arise during the business development or disposal of stock business process, or compliance risks may be caused by the failure to timely comply with regulatory regulations and requirements that are applicable to its business.

The business team of the Group takes the primary responsibility for managing the credit and market risks involved in its management of business. The risk management department performs the supervision and coordination duties, and reports the risk of the Group's overall business to the management of the Group on a regular basis. Before adjusting and disposing of the stock business or launching new business, the business team shall submit the materials used by it for due diligence analysis, and submit its plan to the management of the Group for discussion and decision-making after obtaining the opinions from relevant legal, compliance, risk management and financial departments of the Group and making improvements to the plan. The risk management department will also supervise and follow up with the implementation of the plan.

The Group's compliance department is responsible for establishing plans to repeal, amend and develop policies, and providing compliance advice for the management of the Group and the business teams, so as to ensure that the Group's operation has complied with regulatory requirements. Meanwhile, the Group has also engaged external lawyers to provide legal professional advice and relevant support for the Group's business.

Environmental Policies

The Board and the management of the Company is committed to better protecting the environment by encouraging its employees to reduce consumption of electricity and paper, reduce waste, and use environmental friendly products whenever possible. As a socially responsible corporation, the Group has endeavored to strictly comply with laws and regulations regarding environmental protection during the Year. Details of the policies are set out in the Environmental, Social and Governance Report on pages 59 to 101 of this annual report.

Compliance with Laws and Regulations

The Group's compliance department establishes and implements compliance policies for the Group as well as provide compliance advice for the management and the relevant business teams of the Group. Steps have been taken to ensure that each potential business transaction engaged by the relevant business teams is in compliance with applicable laws, regulations and rules, including but not limited to the SFO, the Listing Rules, anti-money laundering laws, and the Foreign Account Tax Compliance Act. The Group has also engaged external advisors to provide advices regarding development of laws, regulations and rules applicable to the Group and its business.

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

Relationship with Employees

The Group recognises the unique position and value of its employees. Apart from market competitive remuneration, the Group also provides positive working environment and organises leisure activities to build up strong connection with the employees. The Group also provides our staff with different trainings, including internal training and seminars provided by professional organisations in order to enhance our staffs' career progression. Details of the policies in relation to employment are set out in the Environmental, Social and Governance Report on pages 59 to 101 of this annual report.

Relationship with Customers

The Group is committed to providing excellent services to its customers, with a view to maintaining steady business and asset growth as well as long term profitability.

Directors

The Directors who held office during the Year and up to the date of this annual report are:

Non-executive Director:

Mr. Zhang Xing *(Chairman)*

Executive Directors:

Mr. Chen Qinghua *(Chief Executive Officer)*
Mr. Lu Xinzheng

Independent Non-executive Directors:

Mr. Hung Ka Hai Clement
Mr. Ma Lishan
Mr. Guan Huanfei
Dr. Lam Lee G. (resigned as a director with effect from 31 March 2024)

Please refer to pages 6 to 9 of this annual report for the biographical details of the Directors and senior management of the Company, including their senior management positions held (if any) at the controlling Shareholders of the Company.

All Directors are appointed for a specific term and are subject to retirement and re-election at the first AGM of the Company after their appointment, and thereafter subject to retirement by rotation and re- election at the subsequent AGM in accordance with the Bye-laws.

Indemnity Provision

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any willful negligence, willful defaults, fraud or dishonesty which may attach to the said persons. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the Year and up to the date of this annual report.

Directors' Service Contracts

Each of the Directors has entered into an appointment letter with the Company and was appointed for a specific term, any of which is not more than three years.

All of the Directors are subject to retirement by rotation at least once every three years in accordance with the Bye-laws. There is no service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than normal statutory compensation) in respect of any Director proposed for re-election at the forthcoming AGM.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in note 8 to the consolidated financial statements, no transactions, arrangements or contract of significance (as defined in Appendix D2 to the Listing Rules), in which a Director or an entity connected with a Director is or was interested, directly or indirectly, subsisted during or at the end of the Year.

Directors' Interests in Competing Business

During the Year, save as disclosed in this annual report, none of the Directors (excluding the independent non-executive Directors) had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Group's businesses.

Directors' Rights to Acquire Shares or Debentures

At no time during the Year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or its associated corporations or any other body corporate.

Emoluments of Directors and Senior Management

The emoluments of our Directors and senior management personnel are paid in the form of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement benefits. The details of the remuneration of the Directors and chief executive of the Company are set out in note 8 to the consolidated financial statements.

The emoluments paid to our Directors and senior management personnel are determined by such factors as his/her duties and responsibilities, the Company's performance and the prevailing market conditions and trends. During the Year, the emoluments of the senior management personnel of the Company (other than Directors) are set out as below:

Emoluments (HK$)	Number
300,000–500,000	1

The details of the emoluments of our Directors and the top five highest paid individuals of the Company are set out in the notes 8 and 9 to the consolidated financial statements, respectively.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

As at 31 December 2023, so far as was known to the Directors and chief executive of the Company, the following persons or corporations (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2023
China CITIC Financial AMC (Notes 1, 2 and 3)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
	Interests in controlled corporation (security interest)	2,144,097,429 (L)	24.62%
CHIH (Notes 1 and 3)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
	Interests in controlled corporation (security interest)	135,000,000 (L)	1.55%
Right Select (Note 1)	Beneficial owner	2,611,438,440 (L)	29.98%
Camellia Pacific (Note 1)	Beneficial owner	1,830,117,664 (L)	21.01%
Shinning Rhythm Limited (Note 2)	Security interest	2,009,097,429 (L)	23.07%
China Huarong Overseas Investment Holdings Co., Limited (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%
Huarong Huaqiao Asset Management Co., Ltd. (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2023
Huarong Zhiyuan Investment & Management Co., Ltd. ("**Huarong Zhiyuan**") (Note 2)	Interests in controlled corporation	2,009,097,429 (L)	23.07%
Hero Link Enterprises Limited (Note 4)	Beneficial owner	129,000,000 (L)	1.48%
China Tian Yuan International Finance Limited (Note 4)	Beneficial owner	646,220,529 (L)	7.42%
	Interests in controlled corporation	129,000,000 (L)	1.48%
China Tian Yuan Finance Group (Holdings) Limited (Note 4)	Interests in controlled corporation	775,220,529 (L)	8.90%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
Tian Yuan Manganese Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Manganese Finance (Holdings) Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Asset Management Limited ("**Tian Yuan Asset Management**") (Note 5)	Beneficial owner	996,517,500 (L)	11.44%
Mr. Jia Tianjiang (Notes 4 and 5)	Interests in controlled corporation	1,771,738,029 (L)	20.34%
Ms. Dong Jufeng (Notes 4 and 5)	Interests of spouse	1,771,738,029 (L)	20.34%

(L) denotes long position

Notes:

(1) 1,830,117,664 Shares are beneficially owned by Camellia Pacific and 2,611,438,440 Shares are beneficially owned by Right Select. Both Camellia Pacific and Right Select are wholly owned by CHIH. CHIH is owned as to 84.84% by China CITIC Financial AMC and 15.16% by Huarong Zhiyuan. Huarong Zhiyuan is wholly owned by China CITIC Financial AMC. Therefore, each of China CITIC Financial AMC and CHIH is deemed or taken to be interested in all the Shares beneficially owned by Camellia Pacific and Right Select by virtue of the SFO.

(2) 129,000,000 Shares held by Hero Link Enterprises Limited, 646,220,529 Shares held by China Tian Yuan International Finance Limited and 996,517,500 Shares held by China Tian Yuan Asset Management Limited are pledged to Shinning Rhythm Limited, while 237,359,400 Shares held by Power Tiger Investments Limited are pledged to Tian Yuan Investment Holding Co., Limited which in turn has assigned such security interest to Shinning Rhythm Limited. Shinning Rhythm Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited, which is in turn a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 91% by Huarong Zhiyuan. Huarong Zhiyuan is a wholly-owned subsidiary of China CITIC Financial AMC. Accordingly, each of China Huarong Overseas Investment Holdings Co., Limited, Huarong Huaqiao Asset Management Co., Ltd., Huarong Zhiyuan and China CITIC Financial AMC is deemed to be interested in the security interest in the 2,009,097,429 underlying Shares held by Shinning Rhythm Limited by virtue of the SFO.

(3) Fresh Idea Ventures Limited holds direct security interest in 135,000,000 underlying Shares and is a wholly-owned subsidiary of Linewear Assets Limited. Linewear Assets Limited is a wholly-owned subsidiary of the Company, which in turn is owned as to 51% collectively by Camellia Pacific and Right Select. Accordingly, each of CHIH and China CITIC Financial AMC is deemed to be interested in the security interest in the 135,000,000 underlying Shares held by Fresh Idea Ventures Limited by virtue of the SFO.

(4) China Tian Yuan Finance Group (Holdings) Limited is deemed or taken to be interested in (i) 129,000,000 Shares held by Hero Link Enterprises Limited which is held as to 82% by China Tian Yuan International Finance Limited; and (ii) 646,220,529 Shares held by China Tian Yuan International Finance Limited. China Tian Yuan International Finance Limited is a wholly-owned subsidiary of China Tian Yuan Finance Group (Holdings) Limited, which in turn is wholly owned by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan International Finance Limited, China Tian Yuan Finance Group (Holdings) Limited, Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 775,220,529 Shares beneficially held by Hero Link Enterprises Limited and China Tian Yuan International Finance Limited by virtue of the SFO.

(5) 996,517,500 Shares are held by China Tian Yuan Asset Management Limited, which is a wholly-owned subsidiary of China Tian Yuan Manganese Finance (Holdings) Limited, which is in turn a wholly-owned subsidiary of Tian Yuan Manganese Limited, which is in turn a wholly-owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd. Ningxia Tianyuan Manganese Industry Group Co., Ltd. is owned as to 99.96% by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan Manganese Finance (Holdings) Limited, Tian Yuan Manganese Limited, Ningxia Tianyuan Manganese Industry Group Co., Ltd., Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 996,517,500 Shares beneficially held by China Tian Yuan Asset Management Limited.

Saved as disclosed above, as at 31 December 2023, no other persons (other than a Director or the chief executive of the Company) had any interest or short position in any Shares or underlying Shares of the Company which would be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO or which have been notified to the Company and the Stock Exchange.

Connected Transaction

During the Year, the Group has not entered into any connected transaction or continuing connected transaction which is subject to the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Disclosure pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules

As at 31 December 2023, details of existing banking facilities with covenants relating to specific performance of the Company's controlling shareholder which trigger disclosure obligations pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules are as follows:

Facility Agreement I

On 21 May 2020, the Company, as the borrower, entered into a facility letter (the "**Facility Agreement I**") with a bank as the lender to renew an uncommitted revolving loan facility in an aggregate amount of US$100,000,000 (the "**Facility I**"). Afterwards, on 26 September 2022, the Company entered into a supplemental facility letter with the bank to renew the Facility I, pursuant to which the limit of the Facility I was reduced to US$80,000,000. Facility I has been further extended by entering into a supplemental facility letter dated 15 August 2023, and is subject to review by the lender on or before 2 August 2024 or at other time as deemed appropriate by the lender. The Facility I shall be repaid in full on demand on the date as notified by the bank. Under the terms of the Facility Agreement I, the Company shall ensure to and procure China CITIC Financial AMC maintain the status of controlling shareholder of the Company and CHIH. Moreover, China CITIC Financial AMC has issued a letter of comfort and has undertaken to continuously maintain control over the Company as long as the Facility I remains outstanding.

As at 31 December 2023, the loan amount outstanding under Facility Agreement I was HK$620 million.

Facility Agreement II

On 29 March 2023, the Company, as the borrower, signed a revolving loan facility letter (the "**Facility Agreement II**") with a bank as the lender for a facility up to an aggregate amount of HK$200,000,000 (the "**Facility II**"). The Facility II is repayable on demand by the bank. China CITIC Financial AMC has issued a letter of comfort and has undertaken to, among others, maintain control over the Company as long as the Facility II remains outstanding.

As at 31 December 2023, loan amount outstanding under Facility Agreement II was HK$200 million.

Contracts of Significance

Save as disclosed in note 8 to the consolidated financial statements of this annual report, at no time during the Year had the Company or any of its subsidiaries entered into any contract of significance with its controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by its controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Management Contracts

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

Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance practices. During the Year, the Company has complied with all the applicable code provisions of the CG Code. A report on the principal corporate governance practices adopted by the Company is set out on pages 37 to 58 of this annual report.

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 issued share capital was held by the public throughout the Year and up to the date of this annual report.

Events After the End of the Year

The Group has no significant events subsequent to the end of the Year up to the date of this annual report.

Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management and discussed auditing, internal control and financial reporting matters. The annual results and consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee.

Auditor

There were no changes of auditor of the Company in the past three years.

The consolidated financial statements of the Group have been audited by Ernst & Young who shall retire and being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company.

On behalf of the Board
Huarong International Financial Holdings Limited
Zhang Xing
Chairman

Hong Kong, 28 March 2024

The Company is committed to achieving high standards of corporate governance. The Company believes that conducting the Group's business in an open and responsible manner and complying with good corporate governance practices serve the long-term interests of the Company and its Shareholders as a whole. Throughout the Year, the Company has adopted the principles and has complied with and implemented all the applicable code provisions of the CG Code as set out in Appendix C1 to the Listing Rules.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Year and up to the date of this annual report.

Board of Directors

Board Composition

During the Year, the Board of Directors had seven Directors comprising Mr. Zhang Xing as non-executive Director, Mr. Chen Qinghua and Mr. Lu Xinzheng as executive Directors, and Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. (resigned as a Director with effect from 31 March 2024) as independent non-executive Directors.

The Directors give sufficient time and attention to the Company's affairs. The Directors disclose to the Company the number and nature of offices held by them in public companies or organisations and their other significant commitments on a biannual basis.

The independent non-executive Directors provide the Board with diversified skills, expertise and experience. Their views and participation in the Board and committees meetings bring independent, constructive and informed comments on issues relating to the Company's strategies and policies to ensure that the interests of all Shareholders are taken into account.

An updated list of the Directors identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange. The independent non-executive Directors are identified as such in all corporate communications containing the name of the Directors.

None of the members of the Board and the senior management personnel has any relationship with one another (including financial, business, family or other relevant material relationship(s)).

Director Nomination Policy

The Company has already adopted a director nomination policy (the "**Director Nomination Policy**") in December 2018 setting out the criteria and process in the nomination and appointment of Directors.

(a) Appointment of New Directors

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity requirements under the Board Diversity Policy (as defined below) that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote sufficient time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Board should make recommendation to Shareholders in respect of the proposed election of Directors at the general meetings of the Shareholders.

(b) Re-election of Directors at General Meetings of the Shareholders

The Nomination Committee and the Board should review the overall contribution and service provided to the Company of a retiring Director and the level of participation and performance in the Board meetings. The Nomination Committee and the Board should also review and determine whether a retiring Director continues to meet the criteria as set out above.

The Board should then make recommendations to Shareholders in respect of the proposed re-election of Directors at the general meetings of the Shareholders.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meetings of the Shareholders, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meetings of the Shareholders in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee conducts regular review on the structure, size and composition of the Board and the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to serve the purpose of the Company's corporate strategy and business needs.

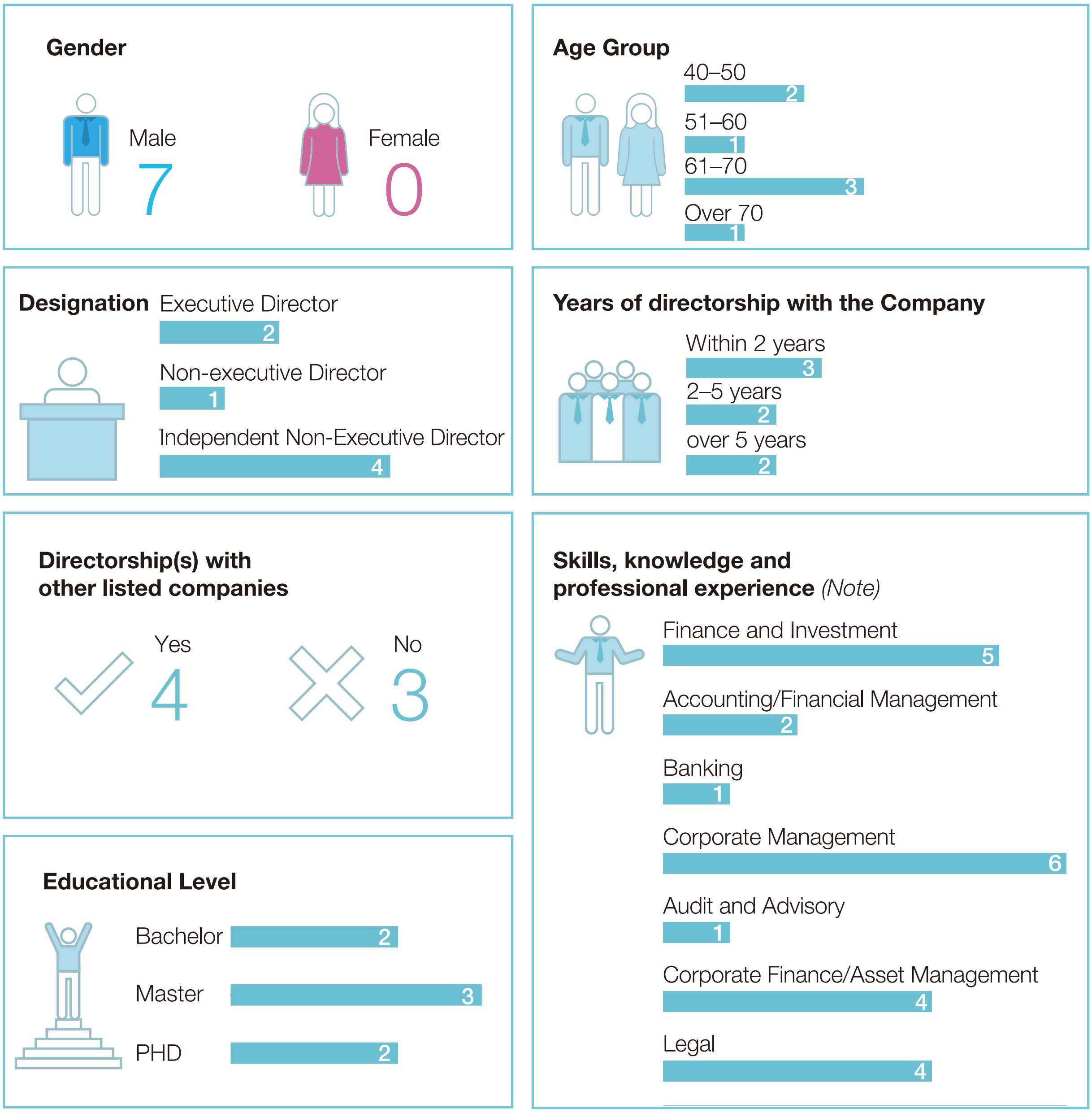
Board Diversity

The Company has already adopted a board diversity policy (the "**Board Diversity Policy**") setting out the approach to achieve diversity on the Board.

The Company considers diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural background, educational background and professional experience. All director appointments will be based on meritocracy, in the context of the skills and experience required by the Board as a whole to be effective. The ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

The Board currently consists of nil female Director. The Board will take opportunity to appoint at least one female member over time when selecting and making recommendation on suitable candidates for Board appointments by no later than the end of 2024. The Board would ensure that appropriate balance of gender diversity is achieved with the ultimate goal of bringing the Board to gender parity.

A diversity analysis of the Board composition is set out in the chart below:



Note: Directors may possess multiple skills, knowledge and professional experience, and this analysis is prepared based on the diversity profiles of seven Directors during the Year.

The above members of the Board of the Company are of diversified professional, educational and cultural background, which enables them to provide diverse opinion for the Board on decision making. The Nomination Committee of the Company will monitor the achievement of the objectives set out in the Board Diversity Policy and review the same as appropriate to ensure its continuous effectiveness.

The Company has also taken, and continues to take steps to promote diversity at all levels of its workforce. The Company provides equal opportunity to all employees and does not discriminate on the grounds of gender, race, age, nationality and any other aspects of diversity. As of 31 December 2023, our total workforce (including senior management) comprised approximately 55% female and 45% male. For further details of the Group's inclusive policy, please refer to "Meritocracy: Forming an Elite Team" section of 2023 Environmental, Social and Governance Report.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance coverage for the liabilities of the Directors and officers of the Group in respect of any legal actions taken against the Directors and officers of the Group arising out of corporate activities.

Delegation by the Board

The Board is responsible for overseeing the strategic development of the Group and determining the objectives, strategies, policies and business plan of the Group. Matters reserved for the Board are those affecting the Company's overall strategic policies, finance and shareholders relations. These include, but are not limited to the following:

- deliberation of business plans, risk management, internal control;
- preliminary announcements of interim and final results, and interim and annual reports;
- dividend policy;
- annual budget;
- major corporate activities such as material acquisitions and disposals, and connected transactions; and
- Directors' appointment, re-election and recommendations.

The Board may delegate part of its functions and duties to the Executive Committee and day-to-day operational responsibilities are specifically delegated to the management, specifying matters which require approval by the Board. The Board gives clear directions as to the management's power, and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole. The management is required to report to the Board in relation to its material decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

To comply with the requirements under the CG Code, the Board is also responsible for performing the corporate governance duties. During the Year, the Board has performed the corporate governance duties set out in paragraph A.2.1 in part 2 of the CG Code, including but not limited to reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Meetings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategies, operations and financial performance. A tentative meeting schedule of the Board and the Board committees for the whole year is provided to the Directors at the beginning of each year. In addition, at least 14 days' notice and the preliminary agenda are given for all regular Board meetings and a final agenda with supporting Board papers is given no less than 3 days prior to a Board meeting such that all Directors are given the opportunity to include matters for discussion in the agenda. The Chairman of the Board also ensures that all Directors are supplied with adequate information in a timely manner before each meeting and that all Directors are properly briefed on issues arising at the Board meeting. The management of the Group are invited to attend the Board meetings to present and answer any enquiries raised by the Directors. At all times, the Board and each Director have separate and independent access to the Company's senior executives for the purpose of obtaining additional information.

During the Year, the Board held four regular meetings and one ad-hoc meetings. The attendance record of individual Directors is set out below.

Director	Attendance/ (Number of Meetings Held)
Non-executive Director	
Zhang Xing	3[note 1]/(5)
Executive Directors	
Chen Qinghua	5/(5)
Lu Xinzheng	4[note 2]/(5)
Independent Non-executive Directors	
Hung Ka Hai Clement	5/(5)
Ma Lishan	4[note 3]/(5)
Guan Huanfei	5/(5)
Lam Lee G.	5/(5)

Notes:

1. Mr. Zhang Xing cast his vote by proxy at 2 Board meetings.

2. Mr. Lu Xinzheng cast his vote by proxy at 1 Board meeting.

3. Mr. Ma Lishan cast his vote by proxy at 1 Board meeting.

The Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors at the Company's expense to assist them in performing their duties if necessary. They can also have access to advice and services of the company secretary of the Company (the "**Company Secretary**"), who is responsible for providing the Directors with Board papers and related materials and ensuring that Board procedures are followed. The Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by the Directors, the management provides prompt and full responses to the extent possible. The Company believes that the aforesaid mechanism was effectively implemented during the Year, rendering independent views and input available to the Board.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board and the Board has determined it to be material, the matter should 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.

The Company Secretary is responsible for compiling minutes of the Board meetings and meetings of the Board committees. The minutes record in sufficient details the matters considered and decisions reached by the Board and the Board committees, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of the minutes of meetings of the Board and/or the Board committees are sent to all Directors and/or respective Board committees members for their comment and records within a reasonable period of time after the meetings were held. All such minutes are kept by the Company Secretary and are available for inspection by the Directors upon request.

Chairman and Chief Executive Officer

In order to reinforce their respective independence, accountability and responsibility, the roles of Chairman and Chief Executive Officer of the Company are segregated. Mr. Zhang Xing is the Chairman and Mr. Chen Qinghua is the Chief Executive Officer of the Company.

The Chairman is responsible for the leadership and effective operation of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. The Directors are encouraged to participate actively in all Board and Board committee meetings of which they are members.

The Chairman should at least annually hold meetings with the independent non-executive Directors, without presence of other Directors. During the Year, Mr. Zhang Xing held one meeting with the independent non-executive Directors, without the presence of other Directors, to exchange views and comments further on those matters discussed at the Board meetings.

The Chief Executive Officer, supported by the management, is responsible for the day-to-day management of the Group's business, including developing and proposing the Group's strategies and policies for the Board's consideration and the implementation of major strategies and policies approved by the Board and its committees.

Independent Non-executive Directors

For the Year, the Board had been in compliance with relevant requirements of the Listing Rules, and had at least three independent non-executive Directors (representing at least one-third of the Board), with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director is appointed for a specific term of not more than three years under the letter of appointment. All Directors, including independent non-executive Directors, are subject to retirement by rotation and eligible for re-election at the annual general meeting at least once every three years in accordance with the Bye-laws. The Company has issued formal letters of appointment to its Directors setting out key terms of their appointments.

The Company has received confirmations of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules from all independent non-executive Directors and considers that they are independent. None of them has served the Company for more than nine years.

In relation to any further re-election of an independent non-executive Director who holds/will be holding his seventh (or more) listed company directorship, the Board will explain in the circular the reason that such Director will still be able to devote sufficient time to handle matters of the Board.

Directors' Continuous Professional Development

Every newly appointed Director is provided with a comprehensive induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations. Ongoing development and training of Directors is provided by the Company so that they can perform their duties appropriately. The Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they continue to make contribution to the Board in an informed and relevant manner.

During the Year, the Company organised a training session for Directors, management and relevant staff as part of the continuous professional development, which was conducted by the Company's legal advisers on director's duties and responsibilities, recent updates on Listing Rules as well as the Stock Exchange's enforcement cases. The Company also circulated materials to update Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, so as to ensure regulatory compliance of the Company and to enhance their awareness of good corporate governance practices.

The trainings received by the Directors during the Year and up to the date of this report are summarised as follows:

Director	Types of training
Zhang Xing	A, B
Chen Qinghua	A, B
Lu Xinzheng	B
Hung Ka Hai Clement	B
Ma Lishan	A, B
Guan Huanfei	A, B
Lam Lee G.	A, B

A – attending seminars/conferences/forums/briefings/workshops/programmes relevant to the disclosure requirements of the Listing Rules

B – reading articles relevant to corporate governance, regulatory updates and duties and responsibilities of Directors

Company Secretary

The Company Secretary is an employee of the Company, who is responsible for facilitating the Board's processes and communications among Board members, with the Shareholders and with the management. During the Year, Ms. Luo Xiaojing acted as the Company Secretary, and received not less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules.

Board Committees

The Company has six Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Executive Committee, the Risk Management Committee and the Sustainable Development Committee under the Board. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The updated terms of reference of the respective Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee consisted of four independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. (resigned as a Director and committee member with effect from 31 March 2024), with Mr. Hung Ka Hai Clement as the chairman.

No member of the Audit Committee is a former partner/principal of the existing auditing firm of the Company during the two years after he ceases to be a partner/principal of the auditing firm.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's internal and external auditors with respect to matters within the scope of the Group's audit.

The Audit Committee meets regularly with the management, the external and internal auditors to consider and discuss the Group's financial reporting process, systems of internal control and compliance.

The Audit Committee held four meetings during the Year. Separate session between the committee members and the external independent auditor without the presence of the management had also been arranged. The attendance record of individual members is set out below. The Audit Committee also considered and approved resolutions by way of written resolutions.

Committee member	Attendance/ (Number of Meetings Held)
Hung Ka Hai Clement *(Chairman)*	4/(4)
Ma Lishan	4/(4)
Guan Huanfei	4/(4)
Lam Lee G.	4/(4)

During the Year, the Audit Committee has mainly performed the following tasks:

- reviewed the 2022 annual results and the 2023 interim results of the Group and discussed and approved the relevant financial reports;
- reviewed the 2022 annual audit report and the 2023 interim review report of the Company's external independent auditor;
- reviewed the 2023 annual audit plan of the Company's external independent auditor;
- reviewed the 2023 internal control review plan of the Company's external consultant;
- met with the Company's external independent auditor to discuss their audit work on the Group;

- reviewed continuing connected transactions for the year of 2022 and the external independent auditor's report on continuing connected transactions;
- recommended to the Board on re-appointment of the Company's external independent auditor;
- considered engaging an external independent auditor to provide non-audit consulting services to the Company;
- reviewed the internal control review report covering the evaluation of the Group's internal control system in various operation and management aspects;
- communicated with the management on interim and annual accounting and financial reporting issues;
- discussed matters raised by the internal control consultant and external independent auditor to ensure that appropriate recommendations are implemented;
- reviewed the adequacy of resources, staff qualifications and experience, training programs of the Group's financial reporting and internal audit functions; and
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Audit Committee is provided with sufficient resources, which enables it to perform its duties. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The financial results of the Group for the Year have been reviewed with no disagreement by the Audit Committee.

Remuneration Committee

The Remuneration Committee consisted of three independent non-executive Directors, namely Mr. Guan Huanfei, Mr. Hung Ka Hai Clement and Mr. Ma Lishan, with Mr. Guan Huanfei as the chairman.

The roles and responsibilities of the Remuneration Committee primarily include making recommendations to the Board on the Company's policy and structure of remuneration packages of the Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in the determination of his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practices and conditions. The Remuneration Committee, with delegated responsibility, is also responsible for reviewing annually the existing remuneration policy, including the remuneration packages of individual executive Directors and senior management, whereas the Board as a whole is responsible for determining the remuneration of non-executive Directors (including the independent non-executive Directors) with recommendations from the Remuneration Committee, if any.

During the Year, one Remuneration Committee meeting was held. The attendance record of individual members is set out below.

Committee member	Attendance/ (Number of Meetings Held)
Guan Huanfei *(Chairman)*	1/(1)
Hung Ka Hai Clement	1/(1)
Ma Lishan	1/(1)

During the Year, the Remuneration Committee made recommendations to the Board on the senior management's incentive bonus and salaries and made recommendations to the Board for the relevant emoluments and/or fees, incentive bonus and salaries to be approved, if thought fit. The Remuneration Committee also made recommendations to the Board on the Group's policy and structure of remuneration packages.

Further particulars regarding the Directors' remuneration and individuals with highest emoluments are set out in notes 8 and 9 to the consolidated financial statements, respectively.

Nomination Committee

The Nomination Committee comprised three independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan and Mr. Guan Huanfei, and the Chairman of the Board, namely Mr. Zhang Xing, with Mr. Hung Ka Hai Clement as the chairman.

The roles and responsibilities of the Nomination Committee primarily include considering the selection criteria and procedures of the Directors and the senior management in accordance with the recommendations of the Chairman of the Board and making recommendations to the Board, identifying individuals suitably qualified to become Board members in accordance with the recommendations of the Chairman of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors in accordance with the recommendations of the Chairman of the Board, and making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning of the Directors in accordance with the recommendations of the Chairman of the Board. The Nomination Committee considers, among others, the Board Diversity Policy in making their recommendations of candidates.

During the Year, one Nomination Committee meeting was held. The attendance record of individual members is set out below. Nomination Committee also considered and approved resolutions by way of written resolutions.

Committee member	**Attendance/ (Number of Meetings Held)**
Hung Ka Hai Clement *(Chairman)*	1/(1)
Zhang Xing	1/(1)
Ma Lishan	1/(1)
Guan Huanfei	1/(1)

During the Year, the Nomination Committee considered and recommended to the Board the re-election of the Directors who were subject to retirement by rotation at the 2023 AGM, reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and evaluated the independence of the independent non-executive Directors, and considered changes of senior management, and made recommendations to the Board for such to be approved, if the Board thought fit.

Executive Committee

The Executive Committee consisted of the two executive Directors, namely Mr. Chen Qinghua and Mr. Lu Xinzheng, with Mr. Chen Qinghua as the chairman.

The major roles and functions of the Executive Committee are to make investment decisions within the Board power that has been in turn delegated to the Executive Committee, to handle relevant matters that shall not be necessarily dealt with by regular Board meetings or are too late to be dealt with by ad hoc Board meetings as considered by the Chairman of the Board, and to handle any other matters authorised by the Board to the Executive Committee on an ad hoc basis.

During the Year, the Executive Committee considered and approved bank account management and other day-to-day matters as assigned by the Board. No physical Executive Committee meeting was held. All matters were circulated to the members of the Executive Committee for consideration and approval by way of written resolutions.

Risk Management Committee

The Risk Management Committee consisted of the non-executive Director, namely Mr. Zhang Xing, two executive Directors, namely Mr. Chen Qinghua and Mr. Lu Xinzheng, and two independent non-executive Directors, namely Mr. Ma Lishan and Dr. Lam Lee G. (resigned as a Director and committee member with effect from 31 March 2024), with Mr. Ma Lishan as the chairman.

The major roles and functions of the Risk Management Committee are as follows:

- to advise the Board on the risk appetite statements, risk principles and other risk-related issues of the Company and its subsidiaries, including strategic transactions such as mergers, acquisitions and disposals;

- to discuss with management the scope and quality of the risk management system and ensure that the management has discharged its duty to maintain effective systems;

- to review the major investigation findings on risk management matters and the management's response to these investigation findings as delegated by the Board or on its own initiative;

- to approve the Company's risk policies and risk tolerances, review the risk reports and examine the breaches of risk tolerances and policies;

- to consider emerging risks relating to the Company's business and strategies, and assess whether appropriate arrangements are put in place to control and mitigate the risks effectively;

- to review and assess the adequacy and effectiveness of the Company's risk management framework, internal control system and risk management policies and procedures in identifying, measuring and controlling risks; to review and assess the effectiveness of the Company's risk management/mitigation instruments, including the enterprise risk management programme, risk management system, internal audit function relating to risk management and the Company's contingency plans; to ensure that the aforementioned reviews and assessment are conducted at least once a year; and

- to review the Company's capital adequacy and solvency level.

During the Year, two Risk Management Committee meetings were held. The attendance record of individual members is set out below.

Committee member	Attendance/ (Number of Meetings Held)
Ma Lishan *(Chairman)*	2/(2)
Zhang Xing	2/(2)
Chen Qinghua	2/(2)
Lu Xinzheng	1[Note]/(2)
Lam Lee G.	2/(2)

Note: Mr. Lu Xinzheng cast his vote by proxy at 1 committee meeting.

During the Year, the Risk Management Committee reviewed and assessed the adequacy and effectiveness of the Company's risk management and internal control system, and reviewed the risk management plan for the year of 2024. In particular, the Risk Management Committee discussed with the management about any major investigation findings on new risks relating to the Company's business and strategies and risk management matters, and made recommendations on improvement of the risk management system of the Company.

Sustainable Development Committee

During the Year, the Sustainable Development Committee comprised two independent non-executive Directors, namely Dr. Lam Lee G. and Mr. Guan Huanfei, and one executive Director, namely Mr. Chen Qinghua, with Dr. Lam Lee G. as the chairman. With effect from 31 March 2024, Dr. Lam Lee G. ceased to be the chairman of the Sustainable Development Committee, Mr. Guan Huanfei was appointed as the chairman and Mr. Lu Xinzheng was appointed as a member of the Sustainable Development Committee.

The roles and responsibilities of the Sustainable Development Committee primarily include reviewing the Group's vision, targets, strategy and key policies of sustainable development, and making recommendations to the Board for approval; reviewing the assessment of risks and opportunities in the Group's sustainability and making recommendations to the Board; monitoring the implementation of the sustainability strategy; regularly evaluating the progress and performance of sustainable development and reporting the performance on sustainable development and making recommendations to the Board; and reviewing the annual ESG Report and making recommendations to the Board for approval.

During the Year, one Sustainable Development Committee meeting was held, during which the Sustainable Development Committee reviewed the Group's 2022 ESG Report, and discussed the Group's sustainability strategies and made recommendations to the Board. The attendance record of individual members is set out below.

Committee member	Attendance/ (Number of Meetings Held)
Lam Lee G. *(Chairman)*	1/(1)
Chen Qinghua	1/(1)
Guan Huanfei	1/(1)

Risk Management and Internal Control

In compliance with relevant laws and in accordance with the requirements of relevant regulations of the regulatory authorities, the Group makes continuous improvement in its corporate governance standards and continues to enhance its governance structure in relation to general meetings, the Board and senior management. It has also established a risk management structure with distinct responsibilities and reporting procedures with an aim to identify, prevent and mitigate risks that will affect the fulfillment of the Group's objectives.

– The Board acknowledges its responsibilities for risk management and internal control systems and the assessment of the effectiveness of such systems. The Board is responsible for assessing and determining the nature and extent of risks that the Group is willing to take in order to realise its strategic objectives, and overseeing the design, implementation and monitoring of risk management and internal control systems by the management to ensure that appropriate and effective risk management and internal control systems have been established and maintained by the Group.

– The Risk Management Committee and the Audit Committee established under the Board are responsible for the review of the Company's risk management and internal control systems and the supervision of the effective implementation of such systems, as well as self-assessment of internal control.

– The management of the Group is responsible for the daily operation of the Group's risk management and internal control systems, and the confirmation of the effectiveness of such systems to the Board. Related management functions are responsible for the specific implementation and daily tasks of risk management and internal control.

– Internal audit personnel/external agencies are responsible for regular evaluation of the operation of internal control system and report to the Audit Committee.

The Group continued to optimise various risk management and internal control systems by revamping risk management and internal control processes gradually and making continuous improvements in risk management and internal control structure, which is reflected in the following specific areas: firstly, the construction of a risk management system will be further deepened and the risk management system will be revised and updated to ensure that no system gaps are left in key areas and important processes; secondly, risk identification and risk assessment are conducted in respect of the Company's existing and planned business models; thirdly, the legal, compliance, risk and finance departments are responsible for regular monitoring, supervision and control over corporate and business risks; fourthly, the Operational Decision Committee, comprising the Company's management and functional departments of the middle office, is responsible for business review and risk assessment; fifthly, internal audit personnel or external agencies are responsible for independent inspection and supervision for the completeness, reasonableness and effectiveness of the internal control system. The Group has been upholding the concept of total risk management with the formation of a risk management system comprising prior inspection and prevention, control during the event and post-event supervision. At the same time, the three lines of defense functions independently through identification, evaluation, monitoring of and response to risk exposures from time to time, so that the possible impact of such risks is prevented, mitigated and reduced, and further defect inspection and improvement will be conducted to the systems through the issues identified.

The Group upholds to the transformation and development of service business as its focus, continuously promotes the construction of internal control system, and constantly solidifies the foundation of compliance management work. Firstly, we shall intensify compliance control in key areas, promote further integration of corporate governance and internal management, and promote differentiated and distinctive business operations of the Company. Secondly, we shall regularly carry out post-system evaluations to timely identify weak links in system construction, and implement the internalization of external regulations in a practical manner to further strengthen the institutional foundation of company management. Thirdly, we shall fully leverage the synergistic effect of three lines of defense, actively explore the working methods of joint management and supervision for one project, so as to prevent and address internal control compliance risks and hidden dangers in an effective manner. Fourthly, we shall adhere to a combination of positive guidance and negative warning, dynamically track and transmit regulatory priorities and industry information, and carry out training on compliance and important institutions interpretations to cultivate a value of jointly preventing compliance risks among all staff. Fifthly, we shall enhance our internal control through informationization measures, and optimize compliance management through technological means, gradually improving the quality and efficiency of internal control compliance management.

Based on the guidelines of relevant regulatory institutions, the Group conducts annual review and self-assessment on the effectiveness of risk management and internal control systems to review five elements in internal control, namely control environment, risk assessment, control activities, information and communication, and monitoring activities, which covers supervision and measures in various substantial fields, including financial, operational and compliance management functions. The scope of review also includes the resources adequacy and staff's qualification, experience and training of the Group's internal control, accounting and financial reporting functions. Such internal control review involves a review and evaluation by the internal audit personnel and external agencies on the review process and result on the basis of the self-assessment conducted by each internal function of the Group. Based on the related review and assessment results, the management confirms the effectiveness and adequacy of the risk management and internal control systems of the Group, and report to the Risk Management Committee, the Audit Committee and the Board.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period and confirmed that the consolidated financial statements contained herein gave a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of the consolidated financial performance and the consolidated cash flow of the Group for the Year. In preparing the accounts for the Year, the Directors, with the assistance of the management, selected the suitable accounting policies and applied them consistently, approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that were prudent and reasonable, and prepared the accounts on the going concern basis. Such acknowledgement should be read in conjunction with, but be distinguished from, the Independent Auditor's Report of the external auditor of the Company, Ernst & Young, in relation to their reporting responsibilities as set out in their auditor's report on pages 102 to 110 of this annual report.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. Accordingly, the consolidated financial statements are prepared on a going concern basis.

The re-appointment of Ernst & Young was approved at the AGM held on 15 June 2023. The financial statements of the Company for the Year have been audited by Ernst & Young.

Audit fees charged by external auditor of the Group for the year ended 31 December 2023 and 2022 are summarised as below:

	2023	2022
	HK$'000	HK$'000
Audit services	**3,770**	4,250
Interim review services	**1,380**	1,763
Non-audit services (include taxation and other professional services)	**284**	794

Dividend Policy

The Company has adopted a dividend policy in December 2018 (the "**Dividend Policy**") setting out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders of the Company.

The Board shall take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Company does not have any pre-determined dividend payout ratio and there is no assurance that a dividend will be proposed or declared in any given period. The Board has the sole discretion to declare and distribute dividends to the Shareholders of the Company, subject to the Bye-laws and all applicable laws and regulations. The Board will review this policy as appropriate from time to time.

Communication with Shareholders

The Board has established a Shareholders' communication policy and posted it on the website of the Company setting out the principles of the Company in relation to the Shareholders' communications, with the objective of ensuring that the Shareholders are informed of balanced and understandable information about the Company (including the Group's strategies, businesses, major developments and financial performance) in an accurate and timely manner and to enable them to exercise their rights as Shareholder in an informed manner. The Company aims to be open and transparent with its Shareholders and encourage the Shareholders' active participation at the Company's general meetings.

Information would be communicated to the Shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), AGMs and other general meetings, as well as disclosure on the website of the Company. Interim reports, annual reports and circulars are sent to the Shareholders in a timely manner and are also available on the website of the Company. The Company's website provides the Shareholders with the corporate information.

The Shareholders are provided with contact details of the Company, such as telephone hotline, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, the registered Shareholders can contact Tricor Tengis Limited, the branch share registrar of the Company, if they have any enquiries about their shares and entitlements to dividend.

The Company's general meetings allows the Directors to meet and communicate with the Shareholders. The Company ensures that the Shareholders' views are communicated to the Board. The chairman of general meeting proposes separate resolutions for individual transactions to be considered. General meeting proceedings are reviewed from time to time to ensure that the Company complies with good corporate governance practices. The notice of general meeting shall be distributed to all Shareholders within the prescribed time prior to the meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules and the Bye-laws.

The chairman of general meeting exercises his power under the Bye-laws to put each proposed resolution to the vote by way of a poll.

The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting.

The Company has reviewed the Shareholders' communication policy and believes that the Company has provided investors with multiple channels for investors to understand the Group's business and operations, as well as channels for investors to express their opinions and comments. The Company also actively responded to the feedback from investors. Based on this, the Company believes that the Shareholders' communication policy implemented during the Year is sufficient and effective.

During the Year, the Company held one AGM. The attendance record of individual Directors is set out below.

Director	Attendance/ (Number of Meetings Held)
Non-executive Director	
Zhang Xing	1/(1)
Executive Directors	
Chen Qinghua	1/(1)
Lu Xinzheng	1/(1)
Independent Non-executive Directors	
Hung Ka Hai Clement	1/(1)
Ma Lishan	1/(1)
Guan Huanfei	1/(1)
Lam Lee G.	1/(1)

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM shall be held each year at the time and place determined by the Board.

Procedure for Shareholders to convene a special general meeting

Pursuant to Bye-law 58 of the Bye-laws, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the special general meeting.

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Procedure for Shareholders to send enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at 15/F, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong by post or email to comsec@hrif.com.hk for the attention of the Company Secretary.

The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and enquiries, to the Chief Executive Officer. Shareholders may also raise their enquiries in general meetings.

Procedure for Shareholders to put forward proposals at a general meeting

Proposals except for those nominating candidate(s) for election as Director at general meetings can be put forward by the Shareholders holding at the date of the submission of such proposals not less than one- tenth of the paid-up capital of the Company as at the date of the submission carrying the right of voting at general meetings of the Company. The proposals must state the objects of the proposals and must be signed by the proposers. The Shareholders can submit such proposals to the Company Secretary within three business days after a notice of the general meeting has been served to all registered Shareholders by the Board.

Procedure for Shareholders to propose a person for election as a Director

Shareholders may also propose a person for election as a Director, the procedures for which are available on the Company's website.

Constitutional Documents

In order to (i) bring the Bye-laws of the Company in line with the Core Shareholder Protection Standards set out in Appendix A1 to the Listing Rules; (ii) introduce provisions to allow general meetings of the Company to be held as a hybrid or electronic meeting; (iii) reflect certain updates in relation to the applicable laws of Bermuda and the Listing Rules; and (iv) make other house-keeping amendments, the Company has amended the Bye-laws, details of which are disclosed in the announcement dated 29 March 2023 and the circular dated 28 April 2023 of the Company. The amended Bye-laws has been published on both the websites of the Company and the Stock Exchange.

About the Report

The Company and its subsidiaries (collectively as the "**Group**") are committed to integrating the concept of sustainability into its development strategies and daily operations. To demonstrate its approach, policies, measures and performance in terms of environmental, social and governance ("**ESG**") management and corporate sustainability, the Group publishes the "Environmental, Social and Governance Report" (the "**ESG Report**") annually. The Group actively communicates with various stakeholders to deepen stakeholders' understanding of its progress towards sustainable development. A complete content index is provided at the end of this ESG Report for readers' reference.

Reporting Boundary

This ESG Report covers the Group's businesses operating in Hong Kong from 1 January 2023 to 31 December 2023 ("**FY2023**"), including securities, corporate finance, asset management as well as direct investment and financial services. The reporting boundary of the ESG Report and operational scope of the Group cover the operations of the China Huarong Tower.

Reporting Principles

This ESG Report has adhered to the "Mandatory Disclosure Requirements" and "Comply or explain" Provisions of Appendix 27 Environmental, Social and Governance Reporting Guidelines (the "**Guide**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The preparation of this ESG Report was based on the four reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency", as set out in the Guide.

Reporting Principles	Definition	Application
Materiality	The report should focus on disclosing ESG issues that have significant impacts on the Group and stakeholders.	In FY2023, the Group conducted materiality assessment to identify key ESG issues and consulted internal and external stakeholders on the Group's sustainability concerns and expectations. The results were then submitted to the management of the Group for review, in order to formulate reporting framework and effective sustainability strategies. Please refer to the "Materiality Assessment" section for details.

Reporting Principles	Definition	Application
Quantitative	Key performance indicators ("**KPIs**") and relevant data of the report should be measurable, and historical data should be provided where appropriate, to allow comparison and evaluation of the effectiveness of ESG policies and management systems.	The Group has disclosed quantifiable KPIs in relation to environmental and social aspects where feasible. To ensure the accuracy of KPIs and data, it has also provided relevant calculation standards, methods and reference sources in the footnotes of each performance table, and carried out carbon accounting in accordance with the Guide and internationally recognised standards.
Balance	The report should present ESG performance in an impartial manner, allowing readers to objectively evaluate the overall performance of the Group.	This ESG report is presented in an objective and impartial manner to ensure that the disclosed information accurately reflects the Group's performance in ESG aspects. This ESG report has comprehensively demonstrated the achievements and room for improvement in terms of sustainable development in FY2023.
Consistency	Disclosure and statistical methodologies of the report should be consistent, to foster meaningful comparisons of the relevant data.	Unless otherwise stated, the Group has adopted uniform methods in each financial year for data collation, verification and calculation, in order to promote meaningful comparisons.

Review and Approval

The information disclosed in this ESG Report is collected and organised through various channels, including the Group's internal policy documents and data, feedback from its implementation of ESG measures, stakeholder surveys and other relevant information about the Group's sustainability practices. Through its internal control and review procedures, the Group has ensured the accuracy and reliability of the information presented in the ESG Report. This ESG Report was reviewed and approved by the Board on 28 March 2024.

Report Publication

The Annual Report including this ESG Report is published in traditional Chinese and English. Should there be any discrepancies between the two versions, the traditional Chinese version shall prevail. The Annual Report including this ESG Report has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hrif.com.hk).

Suggestions and Feedback

The Group values the opinions of stakeholders and hopes to foster communication with stakeholders through this ESG report. The Group cordially invites you to provide comments. If you have any inquiries or suggestions on the content of this ESG Report or sustainability performance of the Group, please contact us via ir@hrif.com.hk.

Board Statement

In 2023, the international economic landscape remained grim and complicated, with global economic growth facing numerous challenges and uncertainties. However, with the reopening of borders between Mainland China and Hong Kong, the economy and commercial activities are gradually recovering. The Central Government's steady and progressive economic policies and measures are driving the momentum of economic recovery, leading to an overall improvement in the economic atmosphere. To address the challenging external environment, the Group has adhered to a steady and progressive approach, seizing market opportunities and continuously exploring business opportunities to drive business transformation. Meanwhile, the Group understands that the global economy and enterprises will continue to be affected by climate change, and the Central Government is fully committed to the "dual-carbon" goals. Therefore, the Group will pay close attention to global trends, hoping to work with the industry to promote the transformation of sustainable development models and contribute to the low-carbon economy transition.

The Group actively seeks to align with the development of green finance and sustainable operating models in both Mainland China and Hong Kong. ESG considerations are integrated into the Group's business development strategy, decision-making processes, risk controls, and daily operations to promote ESG performance. To identify important ESG issues, the Group has invited internal and external stakeholders to conduct a materiality assessment to examine stakeholders' concerns and needs. It has refined and continuously improved its ESG strategies in a timely manner, thereby managing the potential ESG risks and opportunities associated with its businesses and value chain.

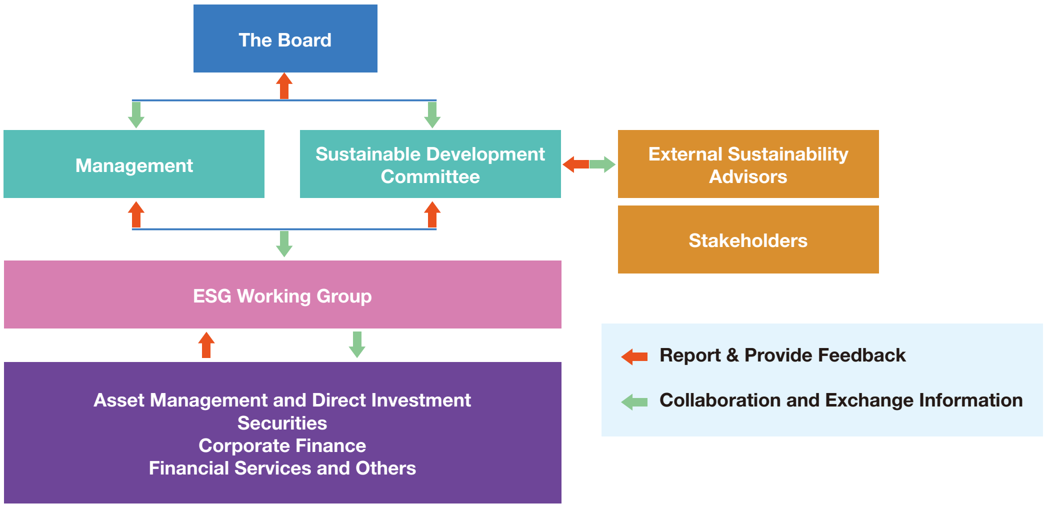
As a financial enterprise, the Group adheres to strict business ethics standards and attaches great importance to compliance management. It requires employees to treat clients, suppliers and other stakeholders with integrity, respect and professionalism, so as to maintain a fair and just market environment. The Group has also actively considered ESG factors to grasp ESG investment opportunities and manage enterprise and industry related investments that have adverse impacts on the environment or social development. Meanwhile, the Group actively fulfills its social responsibilities by establishing standard human resources management systems for employees to attract and nurture talent. Furthermore, the Group pays close attention to the connection with the communities where it operates, and encourages employees to actively participate in volunteering service and public welfare activities in their spare time, promoting sustainable social development. The Group also actively improves environmental management and strives to reduce its operational impact on the environment, natural resources, and climate change, working towards energy efficiency and emissions reduction goals.

The Group will continue to actively fulfil its corporate social responsibilities and promote the green development of the industry, creating long-term and sustainable values for all stakeholders. Looking ahead, it will continue to improve its sustainability governance structure, by advancing its ESG strategy and setting more specific goals, in order to prepare for seizing the opportunities brought by economic transformation.

Sustainability Management Strategy

To effectively grasp and address the opportunities and risks brought by sustainable development, the Group has established and continuously improved a clear and robust governance structure. The Group is committed to integrating ESG strategies in its business development visions and operations, reducing potential impacts on the environment and society, while improving its sustainability performance.

Sustainability Governance Framework



The Board

As the highest governance body, the Board of the Group is responsible for comprehensive supervision and leadership of important ESG matters and decision-making, to ensure the effectiveness of policy implementation progress and risk management, and promote the sustainable development of the Group. The Board is primarily responsible for:

- overseeing the Group's strategic deployment, development direction, and implementation and performances in relation to environmental and social impacts;
- reviewing the sustainability risk management system;
- evaluating and promoting to incorporate ESG considerations into business development and decision-making processes.

Sustainable Development Committee

To ensure the smooth implementation of sustainability measures, the Group's Sustainable Development Committee is chaired by an independent non-executive Director and its members are appointed by the Board. The Sustainable Development Committee is primarily responsible for:

- reviewing the Group's vision, goals, strategies and major policies in relation to sustainable development;
- reviewing and assessing the Group's risks and opportunities in relation to sustainable development;
- reviewing an ESG report annually and regularly evaluating the progress and work performance in achieving sustainability goals;
- supervising the consistency of the Group's operations and practices with the ESG strategy;
- reporting to the Board on other material issues related to sustainable development and making recommendations.

ESG Working Group

The Group's ESG Working Group (the "**Working Group**") is headed by the Chief Executive Officer. It is composed of representatives from different departments of the Group, including the General Management Department, Financial Technology Department, Administrative Affairs Department, Compliance Department and Risk Management Department. The Working Group is primarily responsible for:

- formulating and implementing ESG strategies, policies and measures;
- coordinating various business units to identify and manage sustainability risks;
- preparing an annual ESG report;
- regularly reviewing and summarising work results, reporting on performance and work progress, as well as providing improvement suggestions to the Board and/or its committees.

Sustainability Risk and Compliance Management

To ensure the steady development of its business, the Group has continuously improved its corporate governance, and established an effective and robust risk management and internal control system. The Board is responsible for supervising the risk management and internal control system, while the Risk Management Committee and the Audit Committee help carry out regular reviews to ensure the effectiveness of the system. In FY2023, the Board conducted a review through the Risk Management Committee and the Audit Committee and was satisfied that the Group's risk management and internal control system is effective and adequate. The Group will continue to improve and further incorporate ESG considerations into the relevant systems to effectively address sustainability risks and grasp related opportunities. For details on risk management and internal control system, please refer to the Corporate Governance Report.

In its daily operations, the Group adheres to legal compliance and is committed to complying with all relevant laws and regulations that have significant impacts on its business operations. It clearly understands that violations of laws and regulations will lead to risks such as fines, penalties and lawsuits, causing negative impacts to its business operations, finances and reputation. By planning and implementing ESG-relevant policies and measures, it regularly evaluates internal performance to ensure operational compliance with the relevant laws and regulations. In FY2023, the Group strictly complied with, including but not limited to, the following relevant laws and regulations that have significant impacts on its business operations, and there was no case of non-compliance with relevant laws and regulations, nor any concluded legal cases regarding corrupt practices brought against the Group and its employees.

Aspects	Relevant laws and regulations (including but not limited to)
Environment	"Air Pollution Control Ordinance", "Waste Disposal Ordinance", "Water Pollution Control Ordinance", "Motor Vehicle Idling (Fixed Penalty) Ordinance"
Employment and labour standards	"Employment Ordinance", "Minimum Wage Ordinance", "Employees' Compensation Ordinance", "Mandatory Provident Fund Schemes Ordinance", "Disability Discrimination Ordinance", "Race Discrimination Ordinance", "Sex Discrimination Ordinance"
Health and safety	"Occupational Safety and Health Ordinance", "Regulations on Work-Related Injury Insurances"
Product responsibility	"Trade Descriptions Ordinance", "Companies Ordinance", "Securities and Futures Ordinance"
Anti-corruption	"Prevention of Bribery Ordinance", "Anti-Money Laundering and Counter-Terrorist Financing Ordinance", "Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers)", "Anti-Money Laundering Law of the People's Republic of China", "Criminal Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China", "Interim Provisions on Prohibition of Commercial Bribery"

Sustainability Strategy and Goals

Sustainable development is an important goal for social and economic development and is crucial in addressing the environmental and social challenges faced globally. As a financial enterprise, the Group shoulders the responsibilities of developing green finance and promoting sustainable development of the financial market. It strives to seize new market opportunities, so as to provide customers with diversified financial services. The Group actively fulfills its corporate responsibility, adheres to ESG management principles, actively responds to changes in market and industry trends, and appropriately responded to its business development, opinions from internal and external stakeholders, contributing to sustainable development.

In response to the call of the United Nations to take actions in eradicating poverty, protecting the environment, and ensuring peace and prosperity for all, the Group conducted a questionnaire survey in FY2021 to understand the United Nations Sustainable Development Goals ("**SDGs**") concerned by its stakeholders. It helped formulate and implement strategies and action plans to work towards the SDGs, in alignment with globally advocated sustainable development trends. According to the survey results, stakeholders most concerned about Goals 3, 4 and 7. The Group will prioritise the specific requirements of relevant SDGs in its sustainable development, as well as the material ESG issues identified each year, serving as the cornerstone for realising its corporate vision.

United Nations Sustainable Development Goals		Corresponding chapter of the Group
	Goal 3: Good Health and Well-Being – "Ensuring healthy lives and promoting the well-being for all at all ages is essential to sustainable development."	Meritocracy: Forming an Elite Team
	Goal 4: Quality Education – "Obtaining a quality education is the foundation to improving people's lives and sustainable development."	Meritocracy: Forming an Elite Team
	Goal 7: Affordable and Clean Energy – "Energy is central to nearly every major challenge and opportunity."	Green Sustainability: Cherishing Natural the Earth's Resources

Stakeholder Engagement

Stakeholder engagement is critical to the Group's sustainable development. It actively sustains close and open connections with stakeholders, and regularly understands their opinions and suggestions on its sustainable development through various communication channels, to effectively examine potential risks and opportunities in sustainable development.

Daily Communication

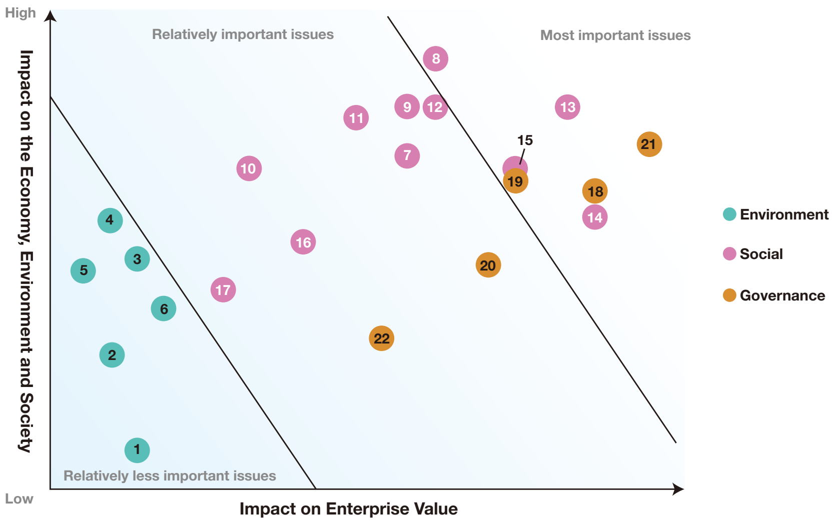
The Group mainly maintains long-term and stable communication with its stakeholders through the following channels. It also reviews and refines its ESG management in a timely manner to ensure the fulfilment of stakeholders' needs and expectations.

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	• Operations in compliance with laws and regulations • Anti-corruption • Occupational health and safety	• Supervision on compliance with local laws and regulations • Regular reports to disclose matters such as operating data, material transactions and inside information of the Group • Tax payments • Response to policy documents released by governments
Shareholders	• Investment return • Corporate governance • Business compliance • Information disclosure	• Regular corporate reports and announcements • General meetings • Company website
Employees	• Employee rights and interests • Career development and training programs • Healthy and safe working environment • Fulfilling corporate social responsibility	• Employee performance appraisal • Regular meetings and training • Internal communication apps, social media platforms and emails • Recreational and sports activities • Employee reporting mechanisms

Stakeholders	Expectations and concerns	Communication channels
Customers	• Product innovation • Client services • Information security	• Company website and publications • Client service hotline and email
Suppliers	• Fair and open procurement • Win-win collaboration between upstream and downstream partners • Supply chain risk management	• Tendering • Phone discussions • Face-to-face meetings and on-site visits • Regular comprehensive evaluation of suppliers
General public	• Social welfare • Harmonious development	• Social welfare activities

Materiality Assessment

To systematically understand the materiality of various ESG issues to stakeholders, the Group engaged an independent third-party institution to conduct a stakeholder survey and materiality assessment in FY2023. According to the Guide and industry trends, the Group has identified 22 ESG issues with high relevance to its business operations, covering the three major aspects of “Environmental”, “Social” and “Governance”. It has invited different internal and external stakeholders to participate in the questionnaire survey and rate the importance of ESG issues. A total of 34 valid questionnaires were received. According to the results of materiality assessment, the Group has conducted a prioritisation of issues and prepared the following materiality matrix.



Most important issues	Relatively important issues	Relatively less important issues
21. Compliance Management	12. Product and Service Responsibility	3. Waste
13. Privacy and Data Security	9. Diversity and Equal Opportunity	4. Energy
18. Business Ethics and Anti-corruption	20. Crisis Management	6. Climate Change and Resilience
14. Responsible Investment	7. Employment Practices	5. Water Resources
15. Responsible Marketing	11. Labour Standards	2. Greenhouse Gas Emissions
8. Training and Development	22. Protection of Intellectual Property Rights	1. Exhaust Emissions
19. Systemic Risk Management	16. Responsible Supply Chain Management	
	10. Occupational Health and Safety	
	17. Community Engagement and Investment	

In FY2023, the Group identified 7 material ESG issues for prioritisation, and stakeholders' attention was mainly focused on issues in the aspects of "Governance" and "Social". The results were generally the same as in the previous year. "Compliance Management" was the most important issue in FY2023, and stakeholders continued to concern "Privacy and Data Security", "Business Ethics and Anti-corruption" and "Systemic Risk Management". The materiality of "Responsible Investment", "Responsible Marketing" and "Training and Development" increased. In response to the concerns of stakeholders, relevant issues have been disclosed in the sections headed "Adhere to Business Ethics" and "Assemble an Elite Team". Relevant material ESG issues have been reviewed and confirmed by the Sustainable Development Committee and the Board, and are highlighted in this ESG Report in response to the concerns of stakeholders.

Honesty and Integrity: Upholding Business Ethics

The Group is committed to responsible operations, upholding business ethics, and requiring employees to treat customers, suppliers, and other stakeholders with integrity, respect, and professionalism. To ensure integrity in operations and maintain the quality of products and services provided by the Group, a series of measures and policies have been implemented to uphold fair and equitable market conditions and promote the sustainable development of the financial industry.

Policy overview

- "Employee Handbook"
- "Compliance Manual"
- "Policies and Procedures on Prevention of Money Laundering and Terrorist Financing"
- "Accepting or Offering Gifts and Benefits Guidelines"
- "Employee Trading Policy"
- "Chinese Wall Policy"
- "Huarong International Securities Limited Operational Manual"
- "Corporate Finance Business Procedural Manual of the Investment Banking Department"
- "Asset Management Business Department Operation Procedure"
- "Whistleblowing Policy"

Business Ethics and Anti-corruption

The Group upholds the highest standards of business ethics and does not tolerate any forms of corruption, bribery, extortion, fraud and money laundering, etc. The Group has formulated an array of anti-corruption policies and guidelines in accordance with the relevant laws and regulations of the places where it operates, ensuring that its employees and business partners fully understand and effectively implement its requirements, and actively identify and manage related risks to uphold the operational standards of transparency, integrity, and accountability.

The Group requires its employees and business partners to strictly abide by professional ethics and avoid any misconduct. It has stringently stipulated that employees should perform regulated financial business in compliance with the "Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission" and the Group's "Compliance Manual". Employees are prohibited from providing false, deceptive or misleading information to clients, as well as market misconduct such as insider trading, false trading and price manipulation. Meanwhile, to prevent insider information from being improperly circulated within the Group or being inappropriately used by different departments in business transactions, the Group has also rigorously implemented the Chinese Wall Policy to uphold compliant operational standards.

The Group emphasises the professional conduct of employees. All employees are forbidden from using their authority or permission in positions to obtain or influence others to take any action for personal or indirect interest. The Group also requires employees to declare any actual or potential conflicts of interest to the Company in writing to avoid conflicts of interest. When conflicts of interest, business ethics, etc. are involved in the regulation of employees or business operations of the Group, the Internal Control and Compliance Department will be responsible for follow-up investigation and handling of the same. It is also responsible for collecting and consolidating the investigation information of the Securities and Futures Commission, which will be published in chronological order and provided with web links for employees as reference to enhance employees' business ethics and compliance awareness.

Through the "Policies and Procedures on Prevention of Money Laundering and Terrorist Financing", the Group has provided employees with guidance on preventing money laundering when providing services to clients, in which the requirements for record filing, training, reporting etc. are clearly set out.

Report	Investigation	Follow-up
• Employees are required to report any suspicious transactions to their manager or the Anti-Money Laundering Compliance Officer.	• If the responsible person has reasonable grounds to believe that the activities are suspicious, such issues must be properly documented. The responsible person will determine whether it is necessary to consult with other internal units or departments, and assess whether the reported suspicions should be disclosed to local law enforcement authorities.	• If it is determined that the suspicions are not sufficient to justify disclosure to law enforcement authorities, the responsible person may continue to establish a business relationship with the client, subject to certain conditions. For example, closely monitoring the relevant accounts to determine if the client continues to engage in potentially money laundering activities.

If employees, customers, suppliers, shareholders, or any stakeholders discover any misconduct or malpractice within the Group, they can report the suspected violations through in-personal interviews, phone calls, mails, complaint mailboxes, or emails. The Group will handle such reports appropriately in accordance with the "Whistleblowing Policy". The Board and the Audit Committee are responsible for overseeing and reviewing implementation of the whistleblowing system and providing recommendations on investigation measures for any whistleblowing. In FY2023, the Group held anti-corruption themed training, to enhance the awareness and sensitivity of the Board and employees towards crimes such as corruption and money laundering. The Directors and employees of the Group have received 2 hours and 1.75 hours respectively of anti-corruption training on average.

Product and Service Responsibility

The Group is committed to providing high-quality services to clients, and insists on maintaining integrity and the high professional ethics in its operations. All licensed subsidiaries have strived to ensure its financial products and services are in compliance with the requirements of regulatory authorities. To this end, the Group has established relevant review procedures to understand the conflicts of interest and independence requirements of its clients, for which the approval from the Compliance Department and the management is required. Moreover, it has set up professional committees to monitor the quality of project approval and conduct due diligence, and the related procedures are supervised by the responsible officers associated with the licenses.

To ensure that all customers receive compliant and professional services, employees are required to abide by the relevant guidelines on sales and promotional activities in the "Compliance Manual" and related licensed business operation guidelines, as well as to ensure accurate marketing data. The Group strictly prohibits any false or exaggerated descriptions of products and services. If any incompliance of operations or services with the standards of internal procedures is found, it will take immediate corrective measures to adjust and coordinate the operation plan. To deepen employees' understanding and practice of responsible marketing, the Group has provided training on employee responsibilities, marketing techniques, and other related topics. For clients to understand securities-related transaction risks and information disclosure risks, it has also provided risk disclosure and privacy policies to new clients of securities companies, so as to fulfill its commitment of providing high-quality services to customers.

Protection of Customer and Data Privacy	The Group has outlined the importance of data privacy in the "Employee Handbook" and "Compliance Manual", as well as the methods and procedures of collecting and processing customers' personal information, to protect personal information assets including confidential information and personal data. To ensure customers' understanding of the purpose of personal data collection and the Group's confidentiality responsibility, terms of information security and personal data confidentiality are specified in the agreements signed with the customers. Meanwhile, to ensure the privacy of its customers and data, the Group regards all personal information of customers collected in the course of its business as confidential, allowing only limited authorised personnel to access the information and strictly prohibiting employees from providing customer information to third parties without customers' authorisation. Additionally, the Financial Technology Department of the Group has continued to strengthen the firewall of computers to reduce the risk of data leakage.
Customer Feedback and Complaint Handling	The Group considers customers' opinions and suggestions as the cornerstone of its continuous progression. It has a dedicated customer service hotline and mailbox to provide timely assistance and services to customers, with an aim to ensure their operational problems are resolved as soon as possible, and to collect opinions and complaints from customers for product and service quality improvement. Once any complaint is received, the Group will conduct an investigation on its employees according to the specific content and internal codes, and record and properly handle the complaints received by it in a timely manner. It will also formulate and implement the "Improvement Control Procedures", and will reply to the customer making the complaint the investigation progress or the handling outcome within the stipulated time. In FY2023, the Group did not receive any substantive complaints.
Product and Service Innovation	To drive digital transformation, the Group has given full play to the supporting role of financial technology for its development. Its Financial Technology Department aims to foster the synergistic development of business in licence types 1, 6 and 9, giving full play to the supporting role of financial technology, and promoting the quality and efficiency of its operation and management. In addition, the official Huarong Online Trading mobile App (華融財富通) has been completed, which greatly shortens the time for online account opening and transfer and deposit, and controls the time in key aspects through online identity verification and data review etc. This iteration has optimised customer experience, building a solid foundation for further redirecting and attaining customers online, while laying a functional foundation for its next step to develop a wealth management mall of "Equity, Bond and Fund" and an integrated comprehensive wealth management account.

Responsible Investment

As investors pay more attention to ESG and other non-financial risks, as a financial institution, the Group needs to provide more ESG and climate risk-related information while providing financial services, so as to satisfy investors' expectations for more in-depth ESG-related information. The Group believes that non-financial risks such as ESG will affect its holding of relevant assets, and ESG factors will have a significant impact on the long-term value of investment projects while helping alleviate environmental problems such as climate change and give back to the society.

As a financial enterprise, the Group recognizes the significant impact that funding and resource allocation can have on environmental and social development. Therefore, the Group has actively practiced responsible investment by strictly establishing project admission criteria that limit investments in conventional manufacturing industries with high energy consumption, pollution, and overcapacity, in order to manage the enterprises and industry-related investments that have adverse impacts on the environment or social development. To effectively manage risks and seize opportunities arising from ESG factors, the Group has incorporated ESG considerations into its investment evaluation process. When selecting and appointing investment managers, the Group strives to choose individuals who not only embrace the principles of responsible investment but also possess the capability to implement them, thus enhancing the sustainability of the investment portfolio.

The Group believes responsible corporate behaviour that takes ESG factors into account can bring returns to investors in the long run. It is committed to cooperating with like-minded stakeholders, including investors, regulators, investee companies, ESG consultancy and research institutions, to promote sound and long-term investment management practices and continuous training. Looking ahead, the Group's Sustainable Development Committee will continue to advance responsible investment in an orderly manner and monitor and assess the Group's progress in the ESG field on an ongoing basis, so as to promote relevant initiatives and projects.

Protection of Intellectual Property Rights

The Group respects and safeguards its own and third-party intellectual property rights in its daily operations. It has required employees to sign confidentiality agreements for commercial and technical intellectual property rights, arranged in-house legal personnel and hired legal consultants to provide legal advice on intellectual property protection and intellectual property infringement prevention, so as to avert the rights and interests of the Group and relevant stakeholders from being infringed.

Supply Chain Management and Green Procurement

The Group's suppliers mainly include service providers and general office supplies (such as water, paper, and stationery) suppliers. The Group has explicitly stated the procurement principles, procurement methods and clear requirements for supplier selection to ensure a lawful and compliant supplier selection process. The Procurement Department of the Group has continuously evaluated indicators such as suppliers' operation management and compliance, industry qualifications, and quality of products and services provided. It has also maintained close contact and conducted interviews with suppliers, to lower potential social and environmental risks along its supply chain. Meanwhile, the Group requires its suppliers to abide by all relevant local and national laws and regulations. In addition, the Group performs annual performance evaluations and conflicts of interest inspections of suppliers. Suppliers that fail to meet the standards will be blacklisted by the Group, and the cooperation relationship will be terminated, so as to effectively manage and screen new and existing suppliers, and secure the quality of services and products provided by suppliers.

The Group integrates the concept of green procurement into its daily operations, and prefers purchasing products and services with less environmental burden during the procurement process, so as to reduce its carbon footprint in operations. For example, the Group prioritises local suppliers or suppliers with close geographical locations, and chooses renovation products with minimal environmental impact such as LED lights. When choosing office supplies, it also gives priority to suppliers who provide products such as eco-friendly paper.

In FY2023, in terms of administration, the Group had a total of 9 suppliers located in Hong Kong, providing catering, office supplies, office equipment and information technology products and other services. Regarding the number of other operation-related service providers, the Group is currently optimizing its internal data collection process, and relevant supplier data will be disclosed once this process is optimized. The Group's supplier management policies cover nearly all its major suppliers, and have been implemented by the Procurement Department, while the management is responsible for monitoring its effective implementation regularly.

Meritocracy: Forming an Elite Team

Adhering to the people-oriented concept, the Group is committed to building a suitable and stable, fair and respectful, safe and healthy work environment. The Group has actively established a relationship of equality and mutual trust with its employees. Therefore, the Group provides a well-established employment system and effective training mechanisms to enhance employees' sense of belonging and identity, and to drive the team forward.

Policy overview

- "Corporate Social Responsibility Policy"
- "Employee Handbook"
- "Emergency Management Policy"
- "Fire Safety Policy"
- "Onsite Safety Policy"
- "Incentive Measures for Part-time Study and Learning of Employees"
- "Management Measures for Employee Training"

A well-established employment system

The Group has formulated a series of employment policies and systems to manage arrangements in relation to recruitment and promotion, compensation and dismissal, working hours and rest periods, diversity, equal opportunity and anti-discrimination, welfare and other benefits, and prevention of child labour and forced labour, in order to ensure the protection of employees' rights and interests. The Group has adopted electronic information systems to process employee work assessment procedures, salary management and annual tax documents, improving the efficiency of human resources management systems and information management, guaranteeing the accuracy of information, and protecting the privacy of employees' personal data. For employee data, please refer to the "Social Key Performance Indicators" in the Appendix.

Aspects	Relevant systems
Recruitment and Dismissal	Through transparent and clear recruitment management procedures, the Group has stipulated the work and guidelines on interview arrangements and general capability evaluation of job applicants. To ensure both parties have a clear understanding of their rights and responsibilities, the Group signs an employment contract with the recruited employee, specifying the probationary period and the arrangement for termination of the contract. Aiming to improve the efficiency of human resource management, it has developed the "Triple Fixed system" ("fixed posts", "fixed grades" and "fixed duties") to avoid duplication of functions. Any employment or termination of employment contracts of the Group shall be based on reasonable grounds and stringently enforced in accordance with internal policies to protect the rights and interests of both the Group and its employees. The Group's resignation procedures are clearly stipulated in the "Employment Contract" and related internal management measures. Employees can submit a written request for resignation according to the requirements in the "Employment Contract". Before the termination or discharge of the "Employment Contract", the employee is required to undergo an exit audit. If an employee is found to have violated its employment policy, the Group will give him/her an oral warning before a written warning is made. For the employee who has serious violations of disciplines and violated the "Prevention of Bribery Ordinance", or committed other acts of corruption and dishonesty, and have repeatedly made the same mistakes despite being educated, the Group will terminate their employment contracts in accordance with the relevant laws and regulations.
Compensation and Promotion	To enhance its compensation structure and related management systems, the Group adjusts employees' compensation based on the operating performance in the previous year, employees' work attitude, attendance records and market indicators, etc., and strictly maintained confidentiality of employees' salary information in accordance with the "Wage Information Confidentiality" policy. In addition, to ensure that the salary level of employees is competitive and can attract and retain excellent talents, the Group will also make reasonable adjustments to the corporate compensation plans with reference to market benchmarks. In terms of employee evaluation, before the end of probationary period, at each quarter end and year end, etc., the Group will evaluate the employees' abilities and performance, review their compensation plans, carry out promotion for employees who meet the Group's business development requirements, and assign employees with poor assessment results to the "flow pool" for training and learning.

Aspects	Relevant systems
Working Hours and Rest Periods	To clarify the working hours and leaves system of general employees and full-time employees (including employees of branches and securities support departments), the Group has listed the relevant systems in the "Employee Handbook", rigorously examined employees' attendance, and established a reward and punishment system. In addition to basic paid annual leave and statutory holidays, employees are entitled to additional paid holiday benefits, such as marriage leave, maternity leave and bereavement leave.
Other Welfare and Benefits	To protect employees' well-being, the Group has regulated compensation, employee performance management and bonus distribution plans, and provided employees with various benefits such as medical insurances, meal allowance, transportation allowances and communication allowances.
Diversity, Equal Opportunity and Anti-Discrimination	The Group is committed to promoting a work environment of diversity, equal opportunity and anti-discrimination. As an equal opportunity employer, the Group respects and understands the needs of employees of different genders, cultures, and backgrounds, and is committed to providing a diverse working environment for them. In addition, the Group also regularly reviews employees' performance and effectiveness in their respective jobs from multiple dimensions and provides fair evaluations. The training and promotion opportunities, dismissal and retirement policies of all business departments of the Group are irrespective of age, gender, marital status, pregnancy status, family status, disability, race, colour, ancestry, national or ethnic origin, nationality, religion, etc. or any other non-job-related factors of employees, so as to establish a corporate culture of fair competition, mutual respect and diversity. The Group has set out the legal definitions and handling procedures of sexual harassment in the "Employee Handbook" and formulated a whistleblowing policy. Employees can report any incidents of suspected discrimination to the department head or the General Management Department. The General Management Department will thoroughly investigate, handle and keep the incident confidential, and take any necessary disciplinary action against the responsible individual.

Aspects	Relevant systems
Prevention of Child and Forced Labour	The Group has zero tolerance for child labour and forced labour, and has formulated recruitment management procedures in accordance with relevant laws. Its General Management Department is responsible for verifying applicants' identity documents and age proof records to ensure their legal employment. Moreover, it signs employment contracts with all employees, in which the terms of employment are clearly stated, to assure voluntary employment of employees. Once any serious violation of labour standards is discovered, the Group will immediately terminate the relevant employment contract, and the related responsible staff will also receive corresponding investigation and punishment.

Ensuring employee safety and health

The Group is committed to constructing a safe and healthy work environment by implementing relevant policies and measures, actively fulfilling its commitment to safeguarding employee health and safety. As a financial enterprise, the Group's business operations mainly involve office operations. The Group has equipped all employees with high-quality and safe office equipment, and placed medicine boxes with sufficient first aid supplies in the offices to address emergencies. Additionally, to enhance the quality of the office environment, the Group has arranged special personnel to clean and disinfect its offices every day, and installed air purifiers in the offices to improve indoor air quality. In addition, the Group has purchased medical insurance and life insurance for its employees to ensure they receive appropriate coverage in case of emergencies. The Group also places great importance on the mental well-being of its employees and actively organizes recreational activities for them to relax in their spare time, which encourages a work-life balance and enhances employees' happiness.

To ensure the safety of the workplace, the Group has regularly inspected fire prevention equipment and conducted safety and emergency drills and other activities to enhance the ability of employees to respond to various accidents, such as fire management. The Group has also organized regular safety training sessions to enhance employees' occupational safety awareness and to deepen their understanding of various occupational diseases and prevention measures.

The Group has recorded zero work-related fatalities in the past three years, including FY2023. In FY2023, the Group did not have any cases of work-related injuries. In the future, the Group will continue to actively communicate with employees to understand their concerns and needs, so as to provide timely support and assistance.

Effective training and development

The Group places great emphasis on the development of employees' professional knowledge and skills and continuously invests resources in establishing a scientific, systematic, and standardized training system. To promote talent education, the Group has provided a diverse training system for employees to enhance their professional expertise and competitiveness.

According to the current market conditions and its business development, the Group has developed multi-dimensional training content to nurture employees' working ability and foster their career development. To meet the development needs of its business and employees, the Group has also provided appropriate training programmes for new employees and experienced employees, including induction training for new employees, professional training and management training for on-the-job employees. Moreover, the Group has established an "Incentive Measures for Part-time Study and Learning of Employees", which provides financial incentives for employees who successfully obtain professional qualifications or relevant certifications. This measure encourages employees to actively pursue degree programs and various professional qualification training courses during their leisure time, aiming to provide customers with more professional and high-quality services and products.

The Group has coordinated various departments to organise and design training courses and teaching materials, and held a series of special training and seminars in relation to business, laws, compliance, finance, risk management, corporate governance and information technology, etc. Furthermore, the Group has established an education and training assessment and incentive mechanism to evaluate the effectiveness of training activities and continuously improve subsequent training plans.

Legal and compliance training	Educate business code of conduct, disclosure of interests and regulations of offshore fund
Data security training	Cultivate employees' awareness of information security related to licensed companies
Anti-corruption training	Instill the knowledge of anti-money laundering and terrorist financing and deepen employees' understanding of misconduct
Corporate governance training	Enhance the levels of corporate governance expertise and risk management
Other training	Including but not limited to internal audit, professional knowledge and new ESG regulatory requirements

In FY2023 the Group arranged a total of 18 training sessions for all employees. The average training hours per employee was 18 hours, and the total course duration was 288 hours. The overall training participation rate of employees reached 100%.

Community Investment

The Group has been actively fulfilling corporate social responsibility over the years, dedicating itself to giving back to society through concrete actions. It has also formulated the "Corporate Social Responsibility Policy" to enhance its connection and attention to the communities where it operates. The Group has also encouraged employees to participate in activities such as volunteer services and fundraising, so as to contribute to the communities where it operates. In FY2023, the Group organised employees to participate in a total of 80 hours of volunteer activities, covering education, culture and other service areas. In the future, the Group will pay continuous attention to the needs of communities in which it operates, understand the needs of all sectors in the society, and select key contribution areas for community investment with a serious and rigorous attitude, to promote sustainable social development.

Green Sustainability: Cherishing the Earth's Resources

As a member of the society, the Group actively fulfills corporate responsibility by identifying, assessing, and reducing the impacts of its operations on the environment, natural resources and climate change, striving to contribute to environmental sustainability. Additionally, the Group has actively responded to international and national goals and policies regarding "carbon neutrality" and the "green economy", promoting green and low-carbon operations. Therefore, the Group has formulated and continually improved its environmental management policies, systems, and measures in accordance with the "UNEP Statement of Commitment by Financial Institutions on Sustainable Development", and encouraged employees to practice environmental protection concepts in their daily operations and lives. Meanwhile, the Group records and reports environmental data regularly to evaluate the effectiveness of the current environmental management measures, thereby further discussing and formulating work plans for improvement so as to further formulate relevant quantitative targets.

Policy overview	
• "Environmental Policy"	• "Measures for the Administration of Official Vehicles"

Emissions

In terms of emissions, the Group has formulated and implemented a series of measures, aimed at reducing pollution emissions and protecting the environment:

Aspects	Practices and actions	Targets
Greenhouse Gases ("GHG") and Air Emissions	• Strengthen employees' education to enhance their awareness on energy conservation and emissions reduction • Require employees to minimize unnecessary business trips • Require advance application by employees for all business travel • Promote the use of public transportation for business trips • Advocate electricity conservation in daily operations to lower unnecessary electricity consumption	• Reducing emissions and pollution
Waste	• Encourage the recycling of various materials to reduce resources wastage • Promote the "Food Wise" culture to lessen food waste generated by employees • Launch recycling programmes to sort and recycle waste paper, batteries, plastic bottles, coffee grounds and other common waste from offices	

Air Emissions

In FY2023, the Group did not use any vehicles for business purpose, thus resulting in no air emissions. The Group will continue to promote measures to reduce carbon emissions and protect the environment.

Air emissions	FY2023	Unit
NO_X	**0**	Kg
SO_X	**0**	Kg
PM	**0**	Kg

GHG Emissions

The Group has entrusted an independent consultancy to conduct carbon calculations and quantify the GHG emissions generated during its operations. The quantitative process is with reference to the "Appendix 2: Reporting Guidance on Environmental KPIs" in the "How to Prepare an ESG Report" issued by the HKEx. In FY2023, the Group's total GHG emissions was 84.01 tonnes of CO_2e. Its GHG emissions mainly came from Scope 2, accounting for about 62% of the total emissions, followed by Scope 3, accounting for about 38% of the total GHG emissions. The GHG intensity of FY2023 has dropped by approximately 58% compared with the previous financial year, mainly due to the decrease in office locations.

Total GHG emissions and intensity	**FY2023**	**Unit**
Scope 1—Direct GHG emissions	**0**	Tonnes of CO_2e
Scope 2—Energy indirect GHG emissions[1]	**51.98**	Tonnes of CO_2e
Scope 3—Other indirect GHG emissions[2]	**32.02**	Tonnes of CO_2e
Total GHG emissions	**84.01**	Tonnes of CO_2e
GHG intensity (by number of employees)	**5.25**	Tonnes of CO_2e/employee

1 Scope 2 includes energy indirect GHG emissions from purchased electricity from third parties.

2 Scope 3 includes other indirect GHG emissions from air business travel and disposal of waste paper.

Waste

To ensure the proper disposal of all hazardous and non-hazardous wastes, the Group has employed qualified recyclers to handle waste toner cartridges, waste batteries and other hazardous wastes, and entrusted the property management companies to collect and handle non-hazardous office wastes on a unified basis. In FY2023, the total hazardous waste generated by the Group was 0.0007 tonnes, which were mainly ink cartridges and fluorescent tubes, and resulted in a decrease of 30% compared with last year. The total non-hazardous waste generated was 1.69 tonnes, which were mainly paper consumption in office, which experienced a significant decrease compared to FY2022. The decrease is largely due to this year's non-hazardous waste statistics not including domestic waste. The Group will continue to advance recycling programs to protect the environment.

Waste	FY2023	Unit
Total hazardous waste	**0.0007**	Tonnes
Hazardous waste intensity (by number of employees)	**0.00004**	Tonnes/employee
Total non-hazardous waste	**1.69**	Tonnes
Non-hazardous waste intensity (by number of employees)	**0.11**	Tonnes/employee

Wastewater

Since the wastewater discharged from the Group's operating sites is collected and treated by property management companies, the property management companies cannot provide accurate information. Besides, given its business nature and operations, the Group mainly discharges harmless commercial wastewater. Therefore, according to the principle of Materiality, the Group's wastewater data is not disclosed. Nevertheless, the Group understands that the amount of wastewater is closely related to water consumption. To reduce resource wastage, it has implemented a series of measures to lower water consumption during its operations. Please refer to the table above for details.

Use of Resources

In terms of use of resources, the Group has formulated and implemented a series of measures, aimed at conserving and reasonably using resources as a goal to protect the environment:

Aspects	Practices and actions	Targets
Energy	• Turn off lights, air conditioners and other electrical appliances that are not in use • Regularly clean and maintain electrical equipment in offices (such as air conditioners and paper shredders) to ensure their efficiency • Replace energy-intensive lights or appliances with LED lights or other energy-efficient products • Use energy-efficient appliances, such as electrical appliances with higher energy label ratings • Set the time limit for the automatic lighting system to turn off lights during non-working days or non-working hours automatically	• Enhancing resources efficiency
Water Resources	• Post "Water Conservation" notices in prominent location in offices to promote water conservation among employees • Arrange special personnel to maintain water equipment regularly, in order to avoid wasting water resources • Educate employees on water conservation • Repair dripping water faucets immediately • Install water filters and enhance water reuse	
Paper	• Promote paperless office, reducing printing and publishing information through email or electronic bulletin board • Upload the original offline error trade report and after-market telephone recording inspection report to the office automation system • Encourage employees to reuse paper or use environmentally friendly paper for printing • Encourage employees to use the back of single-sided documents for printing or as scratch paper • Set the default printing mode of printers as double-sided, and avoid the use of single-sided paper unless necessary • Provide waste paper recycling bins next to printers to collect single-sided printing paper for reuse • Encourage clients to use electronic invoices instead of physical invoices • Broaden channels to reach to clients online	

Energy

The Group's energy consumption involves electricity, mainly from offices and daily lighting. In FY2023, its total energy consumption was 76.44 MWh, and the intensity was 4.78 MWh/employee, which has reduced by about 70% compared with last year.

Energy consumption	FY2023	Unit
Direct energy	**0**	MWh
Indirect energy	**76.44**	MWh
Total energy consumption	**76.44**	MWh
Energy consumption intensity (by number of employees)	**4.78**	MWh/employee

Water Resources

The water resources used by the Group are mainly for offices, which come from the municipal supply and are managed by property management companies, and hence accurate consumption data cannot be obtained. In FY2023, the Group did not encounter any problems in sourcing water that is fit for purpose.

Paper

Given its business nature, paper is also one of the major natural resources consumed by the Group. In FY2023, its total paper consumption was 1,688 kg, and the intensity was 106 kg/employee. Despite a higher density due to the change in the number of employees compared to last year, the total consumption for the Year has experienced a significant decrease, demonstrating that employee awareness regarding paper consumption has increased.

Paper consumption	FY2023	Unit
Total paper consumption	**1,688**	Kg
Paper consumption intensity (by number of employees)	**106.00**	Kg/employee

Environment and Natural Resources

Given the business nature of financial enterprises, the Group's business operations mainly involve office operations, so it does not have a significant impact on the environment and natural resources. However, the Group strives to minimize the impact of its operations on the environment and natural resources and has formulated the aforementioned effective measures to integrate sustainability concepts into its business principle, aiming for green and low-carbon operations. Therefore, the Group is committed to practicing green procurement by selecting products and services with minimal environmental impact during the procurement process, thereby reducing its operational carbon footprint. Additionally, the Group understands that financial institutions can influence environmental and social development through fund provision and resource allocation. Therefore, it has formulated strict access restrictions to manage enterprises and industry-related investments that have adverse impacts on the environment or social development, adhering to responsible investment practices. For details on green procurement and responsible investment, please refer to the sections of "Responsible Investment" and "Supply Chain Management and Green Procurement".

Climate Change

Climate change has brought about increasingly frequent extreme weather events, which have significant impacts on the economy, society, and the environment worldwide. Combating climate change has become one of the important issues in the financial market, with financial institutions and investors paying closer attention to climate risk management and the sustainability performance of financial enterprises. In response to market trends, the Group is committed to promoting responsible investment and improving sustainability measures, and incorporates ESG factors into the process of investment decision-making. The Group has actively promoted responsible investment related to climate change. For details, please refer to the "Responsible Investment" section. Looking ahead, the Group will formulate climate change-related policies to further identify climate-related risks and opportunities and establish mitigation measures, to improve its climate resilience.

Appendix

Environmental Key Performance Indicators[3]

	Unit	FY2023	FY2022	FY2021
Air emissions[4]				
NO_X	Kg	**0**	0.005	4.30
SO_X	Kg	**0**	0.16	0.08
PM	Kg	**0**	0.01	0.30
GHG emissions				
Scope 1—Direct GHG emissions[4]	Tonnes of CO_2e	**0**	0.87	14
Scope 2—Energy indirect GHG emissions[5]	Tonnes of CO_2e	**51.98**	181.37	179
Scope 3—Other indirect GHG emissions[6]	Tonnes of CO_2e	**32.02**	19.20	22
Total GHG emissions	Tonnes of CO_2e	**84.01**	201.44	215
GHG intensity (by number of employees)	Tonnes of CO_2e/employee	**5.25**	4.68	3.31
Waste				
Total hazardous waste	Tonnes	**0.0007**	0.0010	0.0065
Hazardous waste intensity (by number of employees)	Tonnes/employee	**0.00004**	0.00002	0.0001
Total non-hazardous waste	Tonnes	**1.69**	9.00	11.64
Non-hazardous waste intensity (by number of employees)	Tonnes/employee	**0.11**	0.21	0.18

3 The calculation method of air emissions and GHG emissions is based on the "Appendix 2: Reporting Guidance on Environmental KPIs" in the "How to Prepare an ESG Report" issued by the HKEx, the Intergovernmental Panel on Climate Change (IPCC) Emission Factor Database, the EMEP/EEA Air Pollutant Emission Inventory Guidebook 2019 and the Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide. The Group has adopted the total number of employees of 16 in FY2023 to calculate the intensity data.

4 Due to the lack of vehicle usage by the Group in the FY 2023, there were no air emissions and GHG emissions (scope 1) generated.

5 Scope 2 includes energy indirect GHG emissions from purchased electricity from third parties.

6 Scope 3 includes other indirect GHG emissions from air business travel and disposal of waste paper.

	Unit	FY2023	FY2022	FY2021
Energy consumption				
Direct energy	MWh	**0**	3.16	51
Indirect energy	MWh	**76.44**	255.45	252
Total energy consumption	MWh	**76.44**	258.61	303
Energy consumption intensity (by number of employees)	MWh/employee	**4.78**	6.01	4.66
Paper consumption				
Total paper consumption	Kg	**1,688.00**	4,000.00	2,640
Paper consumption intensity (by number of employees)	Kg/employee	**106.00**	93.02	40.62

Social Key Performance Indicators[7]

Number of the Group's employees		FY2023	FY2022	FY2021[8]
Total number of employees		**16**	43	65
Gender	Male	**7**	24	35
	Female	**9**	19	30
	Ratio of male to female employees	**0.78:1**	1.26:1	1.17:1
Age	<31	**3**	5	6
	31–50	**13**	33	45
	>50	**0**	5	14

7 The employee data is based on the employment contracts signed between the Group and employees from the Group's Human Resources Department, and the adopted method is referenced from the "Appendix 3: Reporting Guidance on Social KPIs" in the "How to Prepare an ESG Report" issued by the HKEx. Data of newly hired employees and employee turnover are obtained from the Group's Human Resources Department in accordance with the employment contracts signed between the Group and its employees. Percentage of newly hired employees in FY2023 (%) = number of newly hired employees in the category/total number of employees in the category x 100%. Employee turnover rate in FY2023 (%) = number of resigned employees in the category/total number of employees in the category x 100%.

8 The employee data for FY2021 comes from the "Environmental, Social and Governance Report" chapter of the Group's 2021 Annual Report, which cover employees engaged in a direct employment relationship with the Group according to local laws and employees whose work and/or workplace is controlled by the Group. In FY2022 and FY2023, employees of the Group and employees whose jobs and/or workplaces is controlled by the Group are presented separately.

Number of the Group's employees		FY2023	FY2022	FY2021[8]
Position	Senior management	**4**	11	19
	General employees	**12**	32	46
Employment type	Full-time	**16**	43	65
	Part-time	**0**	0	0
Geographical region	Mainland China	**0**	5	0
	Hong Kong	**16**	38	65

Number of other workers		FY2023	FY2022	FY2021[8]
Total number of employees		**55**	19	–
Gender	Male	**25**	11	–
	Female	**30**	8	–
	Ratio of male to female employees	**0.77:1**	1.38:1	–
Age	<31	**5**	4	–
	31–50	**46**	11	–
	>50	**4**	4	–
Employment type	Full-time	**35**	17	–
	Part-time	**20**	2	–
Geographical region	Mainland China	**7**	0	–
	Hong Kong	**48**	19	–

Number of the Group's newly hired employees		FY2023	FY2022	FY2021[8]
Total		1 (6%)	6 (14%)	–
Gender	Male	1 (14%)	6 (25%)	–
	Female	0 (0%)	0 (0%)	–
Age	<31	0 (0%)	0 (0%)	–
	31–50	1 (8%)	6 (18%)	–
	>50	0 (0%)	0 (0%)	–
Position	Senior management	1 (25%)	2 (18%)	–
	General employees	0 (0%)	4 (13%)	–
Geographical region	Mainland China	0 (0%)	2 (40%)	–
	Hong Kong	1 (6%)	4 (11%)	–

Number of other newly hired workers		FY2023	FY2022	FY2021[8]
Total		20 (36%)	6	–
Gender	Male	10 (40%)	4 (36%)	–
	Female	10 (33%)	2 (25%)	–
Age	<31	3 (75%)	–	–
	31–50	3 (27%)	–	–
	>50	0 (0%)	–	–
Geographical region	Mainland China	3 (43%)	0 (0%)	–
	Hong Kong	17 (35%)	6 (32%)	–

Total employee turnover of the Group		FY2023	FY2022	FY2021[8]
Total		22 (138%)	34 (79%)	–
Gender	Male	22 (314%)	19 (79%)	–
	Female	0 (0%)	15 (79%)	–
Age	<31	0 (0%)	1 (20%)	6 (100%)
	31–50	17 (131%)	23 (70%)	25 (56%)
	>50	5 (100%)	10 (100%)	1 (7%)
Position	Senior management	2 (50%)	22 (100%)	–
	General employees	20 (167%)	12 (38%)	–
Geographical region	Mainland China	0 (0%)	2 (40%)	–
	Hong Kong	22 (138%)	34 (89%)	–

Total turnover of other workers		FY2023	FY2022	FY2021[8]
Total		14 (25%)	28 (100%)	–
Gender	Male	7 (28%)	13 (100%)	–
	Female	7 (23%)	15 (100%)	–
Age	<31	0 (0%)	11 (100%)	–
	31–50	12 (26%)	13 (100%)	–
	>50	2 (50%)	4 (100%)	–
Geographical region	Mainland China	1 (14%)	6 (100%)	–
	Hong Kong	13 (27%)	22 (58%)	–

Health and safety[9]		FY2023	FY2022	FY2021[8]
Work-related injuries		**0**	0	1
Workdays lost due to work-related injuries		**0**	0	0
Work-related fatalities		**0**	0	0
Rate of work-related fatalities		**0**	0	0

Number of the Group's employees trained		FY2023	FY2022	FY2021[8]
Total		**16 (100%)**	58 (100%)	65 (100%)
Gender	Male	**7 (100%)**	32 (100%)	–
	Female	**9 (100%)**	26 (100%)	–
Position	Senior management	**4 (100%)**	18 (100%)	–
	General employees	**12 (100%)**	40 (100%)	–

Average training hours of the Group's employees (hours)		FY2023	FY2022	FY2021[8]
Total		**18**	6.9	–
Gender	Male	**18**	6.2	–
	Female	**18**	7.8	–
Position	Senior management	**18**	13.5	–
	General employees	**18**	4.6	–

9 Data of work-related fatalities was obtained from the Human Resources Department of the Group, and the methodology used for the data was based on "Appendix 3: Reporting Guidance on Social KPIs" in the "How to Prepare an ESG Report" issued by the HKEx.

Number of other workers trained		FY2023	FY2022	FY2021[8]
Total		**55 (100%)**	31 (100%)	–
Gender	Male	**25 (100%)**	17 (100%)	–
	Female	**30 (100%)**	14 (100%)	–
Employment type	Full-time	**35 (100%)**	31 (100%)	–
	Part-time	**20 (100%)**	0 (0%)	–

Average training hours of other workers (hours)		FY2023	FY2022	FY2021[8]
Total		**18**	7.8	–
Gender	Male	**18**	6.7	–
	Female	**18**	9.3	–
Employment type	Full-time	**18**	8.7	–
	Part-time	**18**	0	–

Total number of suppliers		FY2023	FY2022	FY2021[8]
Geographical region	Mainland China	**0**	–	19
	Hong Kong	**9**	25	74
	Overseas	**0**	–	11

Anti-corruption	FY2023	FY2022	FY2021[8]
Average hours of anti-corruption training received by the Directors (hours)	**2**	1	–
Average hours of anti-corruption training received by employees (hours)	**1.75**	1	–

Report Content Index

Aspects, General Disclosure and KPIs	Description	Page/Remark
Mandatory Disclosure Requirements		
Governance Structure	(i) A disclosure of the board's oversight of ESG issues. (ii) The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses). (iii) How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	61–64
Reporting Principles	Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the statistics methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	59–60
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	59

Aspects, General Disclosure and KPIs	Description	Page/Remark
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.	81–84
A1.1	The types of emissions and respective emissions data.	82, 88
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	83, 88
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A1.4	Total non-hazardous waste produced and intensity.	84, 88
A1.5	Description of emission target(s) set and steps taken to achieve them.	82–83
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.	82, 84
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	85–86, 89
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	86, 89
A2.2	Water consumption in total and intensity.	86
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	85
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.	85–86
A2.5	Total packaging material used for finished products and per unit produced.	Given its nature of business, the Group's daily operations do not involve the use of packaging materials.

Aspects, General Disclosure and KPIs	Description	Page/Remark
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	87
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	87
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.	87
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.	87
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.	76–78
B1.1	Total workforce by gender, employment type, age group and geographical region.	89–91
B1.2	Employee turnover rate by gender, age group and geographical region.	92

Aspects, General Disclosure and KPIs	Description	Page/Remark
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.	79
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	93
B2.2	Lost days due to work injury.	93
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	79
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	80
B3.1	The percentage of employees trained by gender and employee category.	80, 93
B3.2	The average training hours completed per employee by gender and employee category.	80, 93

Aspects, General Disclosure and KPIs	Description	Page/Remark
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.	76, 79
B4.1	Description of measures to review employment practices to avoid child and forced labour.	79
B4.2	Description of steps taken to eliminate such practices when discovered.	79
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	75–76
B5.1	Number of suppliers by geographical region.	76, 94
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.	75–76
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	75–76
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	75–76

Aspects, General Disclosure and KPIs	Description	Page/Remark
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.	Given its nature of business, the Group's daily operations do not have material relevance to labelling.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Given its nature of business, the Group's daily operations do not involve products subject to recalls for safety and health reasons.
B6.2	Number of products and service-related complaints received and how they are dealt with.	74
B6.3	Description of practices relating to observing and protecting intellectual property rights.	75
B6.4	Description of quality assurance process and recall procedures.	Given its nature of business, the Group's daily operations do not involve recall procedures.
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	75

Aspects, General Disclosure and KPIs	Description	Page/Remark
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.	71–73
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.	There were no relevant cases in the year.
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	71–73
B7.3	Description of anti-corruption training provided to directors and staff.	73–94
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.	81
B8.1	Focus areas of contribution.	81
B8.2	Resources contributed to the focus area.	81

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Huarong International Financial Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 111 to 231, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable classified as stage 3 in the expected credit loss model ("Stage 3 exposures")	
As at 31 December 2023, the Group has the following Stage 3 exposures: – financial assets at fair value through other comprehensive income with impairment loss allowances of approximately HK$271 million and carrying amount of approximately HK$32 million; – finance lease receivables with impairment loss allowances of approximately HK$512 million and carrying amount of approximately HK$84 million;	The procedures we performed to address the key audit matter included, amongst others: • obtained an understanding on the Group's credit risk management policies and practices including the staging criteria applied by management; and • tested the Group's determination of significant increase in credit risk ("**SICR**") and the basis for classification of exposures into the 3 stages by inspecting factors including loan overdue information, loan-to-value ratio or other related indicators of SICR.

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment on financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable classified as stage 3 in the expected credit loss model ("Stage 3 exposures") (continued)</td></tr>
<tr><td>– other loans and debt instruments with impairment loss allowances of approximately HK$903 million and carrying amount of approximately HK$297 million;

– amount due from an associate with impairment loss allowances of approximately HK$307 million and carrying amount of HK$nil;

– advances to customers in margin financing with impairment loss allowances of approximately HK$94 million and carrying amount of approximately HK$436,000; and

– accounts receivable with impairment loss allowances of approximately HK$76 million and carrying amount of approximately HK$256,000.

The assessment of impairment for the Stage 3 exposures involves significant management judgement and estimates on the amount of expected credit loss ("ECL") as at the reporting date, and therefore this is considered to be a key audit matter.</td><td>For the assessment of the impairment allowances of finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable, which are classified as stage 3 as of 31 December 2023, we have:

• obtained an understanding of management's key estimates and assumptions used in the individual impairment assessment.

• with the assistance from internal specialists, evaluated management's assessment of the recoverable amounts, where necessary, including:

– evaluating the competence, capabilities, and objectivity of management's specialists;

– assessing the selection of the valuation methodologies, assumptions and judgements used by management;

– evaluating the appropriateness of the key inputs used in the valuation by independently checking to external data; and

– verifying the existence and legal titles of collaterals, where applicable, against supporting documents.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment on financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable classified as stage 3 in the expected credit loss model ("Stage 3 exposures") (continued)</td></tr>
<tr><td>As at each reporting date, the Group assesses whether there has been a significant increase in credit risk for each exposure since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group also assesses the expected cashflows including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.

Information in respect of the impairment loss allowances including the quantitative and qualitative information and forward-looking analysis of the Group's assessment are disclosed in notes 18, 19, 20, 21, 22, 23 and 42 to the consolidated financial statements respectively.</td><td>For the assessment of impairment allowance of financial assets at fair value through other comprehensive income classified as stage 3, we have:

• assessed the appropriateness of the impairment calculation methodology used by management; and

• performed testing of the key inputs used in the impairment calculations by evaluating the assumptions and judgments used by management, and, where applicable, independently checking to the external data, such as market quoted prices.

In addition, we have reviewed the adequacy of the related disclosures in the notes to the consolidated financial statements.</td></tr>
</table>

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial assets at fair value through profit or loss classified as level 3 in the fair value hierarchy ("Level 3 FA at FVTPL")	
As at 31 December 2023, the Group's Level 3 FA at FVTPL amounted to HK$1,053 million, representing 84% of the Group's total financial assets at fair value through profit or loss. These Level 3 FA at FVTPL are unlisted convertible bonds and unlisted fund investments. As at the reporting date, the Group measured the fair value of Level 3 FA at FVTPL through the application of valuation techniques, which often involve exercise of management judgement and use of assumptions. Due to the significance of these investments to the Group and the level of judgment involved, this is considered to be a key audit matter. The related disclosures are included in notes 17 and 41 to the consolidated financial statements.	To address the key audit matter included, we have, amongst others: • obtained an understanding of management's valuation process on financial assets at fair value, including the key management controls within the process. In respect of convertible bonds, with the assistance of our internal specialist, we have: • evaluated the appropriateness of the valuation models used by management based on our knowledge of those generally used in the industry; and • evaluated the reasonableness and appropriateness of the unobservable inputs used by management in the valuation model. In respect of unlisted fund investments, we have, amongst others: • obtained an understanding of the valuation techniques and assumptions used by the fund managers to measure the fair value of underlying investments; • obtained latest reported net asset values from fund managers and agreed the reported values to the valuations; and • assessed the historical accuracy of the reported net asset values by checking to latest audited financial statements of the funds, where available. In addition, we have reviewed the adequacy of the related disclosures in the note to the consolidated financial statements.

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Assessment on liquidity and working capital position</td></tr>
<tr><td>As at 31 December 2023, the Group had net current liabilities of HK$181 million, net liabilities of HK$1,657 million and incurred a loss of HK$567 million for the year then ended.

As disclosed in the basis of preparation in note 2.1 to the consolidated financial statements, the Group has evaluated its ability to settle its liabilities as they fall due and manage working capital taking into account, amongst others:

• Management's cash flow forecasts of the Group under various scenarios for a period of not less than twelve months from the reporting date;

• Extensions of financing arrangements obtained from lenders during or subsequent to the year end;

• The letter of financial support provided by the intermediate holding company; and

• The business plan to be implemented by the Group to revive its business activities.

The ability of the Group to achieve its plans to maintain the working capital and liquidity positions are subject to inherent uncertainties and execution risk, and therefore is considered to be a key audit matter.</td><td>The procedures we performed to address the key audit matter included, amongst others:

• obtained an understanding of the Group's measures to maintain and improve the working capital and liquidity positions, including (i) management's cash flow forecasts; (ii) management's actions on extending financing arrangement; (iii) the financial support from the intermediate holding company to continue the business operations of the Group; and (iv) the Group's business plan;

• assessed the reasonableness of the key inputs and assumptions underlying the cash flow forecasts under different scenarios and developed and ran stress scenarios on the cash flow forecasts;

• obtained and read the agreements and relevant correspondences in relation to the extension of financing arrangements from lenders of the Group;

• evaluated the intention and financial capability of the intermediate holding company to provide financial support to the Group based on the past practices of the intermediate holding company and our understanding of the business strategy of the intermediate holding company; and

• assessed the implication of the Group's business plans to the liquidity and working capital position.

In addition, we evaluated the adequacy of the disclosures made by management in respect of the key audit matter.</td></tr>
</table>

Other information included in the Annual Report

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the 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 Wong Shu Hing.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
REVENUE			
Commission and fee income	5	**15,115**	13,026
Interest income	5		
Interest income calculated using the effective interest method		**136,654**	151,266
Others		**19,980**	89,697
Investment income	5	**30,394**	22,641
		202,143	276,630
Net loss on financial assets at fair value through profit or loss		**(202,905)**	(334,109)
Net gain arising from disposal of financial assets at fair value through other comprehensive income		**2,055**	16,507
Net gain/(loss) arising from disposal of financial assets at amortised cost		**102,114**	(217,712)
Other income and gains or losses, net		**55,117**	(105,377)
Brokerage and commission expenses		**(14)**	(3,254)
Administrative and other operating expenses		**(137,939)**	(247,343)
Impairment losses, net		**(259,925)**	(1,219,618)
Finance costs	6	**(327,299)**	(379,368)
Loss on disposal of subsidiaries		**–**	(40,843)
LOSS BEFORE TAX	7	**(566,653)**	(2,254,487)
Income tax (expense)/credit	10	**(140)**	26,461
LOSS FOR THE YEAR		**(566,793)**	(2,228,026)
Attributable to:			
Equity holders of the Company		**(967,291)**	(2,500,007)
Holder of perpetual capital securities		**400,498**	219,423
Non-controlling interests		**–**	52,558
		(566,793)	(2,228,026)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12	**(HK11.1 cents)**	(HK28.7 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
LOSS FOR THE YEAR	**(566,793)**	(2,228,026)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequently periods:		
Fair value loss on financial assets at fair value through other comprehensive income	**(44,171)**	(99,785)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	**82,113**	141,637
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the year	**(2,055)**	(16,507)
Exchange differences on translation of foreign operations, net	**8,481**	28,100
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**44,368**	53,445
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(522,425)**	(2,174,581)
Attributable to:		
Equity holders of the Company	**(922,923)**	(2,446,562)
Holder of perpetual capital securities	**400,498**	219,423
Non-controlling interests	**–**	52,558
	(522,425)	(2,174,581)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023 HK$'000**	31 December 2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,464**	4,449
Other long term assets	14	**1,043**	1,043
Intangible assets	15	**2,350**	2,350
Right-of-use assets	16	**668**	29,743
Financial assets at fair value through profit or loss	17	**869,652**	751,005
Financial assets at fair value through other comprehensive income	18	**21,286**	158,251
Other loans and debt instruments	20	**414,338**	255,821
Prepayments, deposits and other receivables	24	**–**	44
Total non-current assets		**1,311,801**	1,202,706
CURRENT ASSETS			
Advances to customers in margin financing	22	**11,431**	43,055
Accounts receivable	23	**243,646**	540,914
Prepayments, deposits and other receivables	24	**54,664**	149,364
Financial assets at fair value through profit or loss	17	**381,357**	993,443
Financial assets at fair value through other comprehensive income	18	**112,552**	47,164
Finance lease receivables	19	**84,477**	376,565
Other loans and debt instruments	20	**–**	237,874
Amounts due from related parties	25, 39	**27,467**	16,005
Tax recoverable		**161**	161
Restricted bank balances	26	**95,828**	124,535
Deposits in other financial institutions	27	**13,527**	13,527
Cash and deposits with banks	28	**1,581,355**	1,986,641
Total current assets		**2,606,465**	4,529,248

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 HK$'000	31 December 2022 HK$'000
CURRENT LIABILITIES			
Accounts payable	29	**98,559**	125,625
Other liabilities, payables and accruals	30	**159,236**	199,758
Interest-bearing borrowings	31	**2,320,319**	1,599,000
Repurchase agreements	32	**54,019**	107,331
Amounts due to related parties	25, 39	**80,141**	62,322
Tax payable		**74,781**	63,444
Lease liabilities	33	**812**	28,907
Total current liabilities		**2,787,867**	2,186,387
NET CURRENT (LIABILITIES)/ASSETS		**(181,402)**	2,342,861
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,130,399**	3,545,567
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals	30	**3,504**	3,504
Interest-bearing borrowings	31	**2,783,549**	4,274,440
Lease liabilities	33	**–**	505
Total non-current liabilities		**2,787,053**	4,278,449
Net liabilities		**(1,656,654)**	(732,882)

	Notes	31 December 2023 HK$'000	31 December 2022 HK$'000
EQUITY			
Share capital	34	**8,710**	8,710
Share premium and reserves		**(7,906,999)**	(6,984,076)
Equity attributable to owners of the Company		**(7,898,289)**	(6,975,366)
Perpetual capital securities classified as equity instruments	35	**6,241,635**	6,242,484
Total equity		**(1,656,654)**	(732,882)

The consolidated financial statements on pages 111 to 231 were approved by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Chen Qinghua	**Lu Xinzheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus (Note i) HK$'000	Capital reserve (Note ii) HK$'000	Statutory reserve (Note iii) HK$'000	Currency translation reserve HK$'000	FVTOCI Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Perpetual capital securities HK$'000	Non-controlling interests (Note iv) HK$'000	Total equity HK$'000
At 1 January 2022	8,710	3,220,249	139,615	636,129	31,973	(5,222)	(73,908)	(8,486,350)	(4,528,804)	2,755,781	1,277,029	(495,994)
Loss for the year	–	–	–	–	–	–	–	(2,500,007)	(2,500,007)	219,423	52,558	(2,228,026)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(99,785)	–	(99,785)	–	–	(99,785)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	–	–	–	–	–	–	141,637	–	141,637	–	–	141,637
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the year	–	–	–	–	–	–	(16,507)	–	(16,507)	–	–	(16,507)
Exchange differences on translation of foreign operations, net	–	–	–	–	–	28,100	–	–	28,100	–	–	28,100
Total comprehensive income for the year	–	–	–	–	–	28,100	25,345	(2,500,007)	(2,446,562)	219,423	52,558	(2,174,581)
Perpetual capital securities issued during the year	–	–	–	–	–	–	–	–	–	3,846,715	–	3,846,715
Redemption of perpetual capital securities during the year	–	–	–	–	–	–	–	–	–	(420,969)	(1,266,333)	(1,687,302)
Distribution relating to perpetual capital securities	–	–	–	–	–	–	–	–	–	(158,466)	(63,254)	(221,720)
At 31 December 2022 and 1 January 2023	8,710	3,220,249	139,615	636,129	31,973	22,878	(48,563)	(10,986,357)	(6,975,366)	6,242,484	–	(732,882)
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(967,291)**	**(967,291)**	**400,498**	**-**	**(566,793)**
Fair value loss on financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(44,171)**	**-**	**(44,171)**	**-**	**-**	**(44,171)**
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**82,113**	**-**	**82,113**	**-**	**-**	**82,113**
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2,055)**	**-**	**(2,055)**	**-**	**-**	**(2,055)**
Exchange differences on translation of foreign operations, net	**-**	**-**	**-**	**-**	**-**	**8,481**	**-**	**-**	**8,481**	**-**	**-**	**8,481**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**8,481**	**35,887**	**(967,291)**	**(922,923)**	**400,498**	**-**	**(522,425)**
Distribution relating to perpetual capital securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(401,347)**	**-**	**(401,347)**
At 31 December 2023	**8,710**	**3,220,249**	**139,615**	**636,129**	**31,973**	**31,359**	**(12,676)**	**(11,953,648)**	**(7,898,289)**	**6,241,635**	**-**	**(1,656,654)**

Notes:

(i) Under the Bermuda Companies Act, the Company's contributed surplus is distributable to shareholders under certain circumstances.

(ii) The capital reserve represents deemed contribution arising from the disposal of subsidiaries to China Huarong Overseas Investment Holdings Co., Limited ("**Huarong Overseas**"), a fellow subsidiary of the Group.

(iii) Pursuant to the Articles of the Company Law of the People's Republic of China (the "**PRC**"), the entity established in the PRC is required to appropriate 10% of its net profit to the statutory reserve until the balance reaches 50% of its registered capital.

(iv) Non-controlling interests represented interests of holders of perpetual capital securities HRIV as at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(566,653)**	(2,254,487)
Adjustments for:		
Finance costs	**327,299**	379,368
Fair value loss on financial assets at fair value through profit or loss	**202,905**	334,109
Interest income	**(156,634)**	(240,963)
Loss on disposal of subsidiaries	**–**	40,843
Fair value gain arising from disposal of financial assets at fair value through other comprehensive income	**(2,055)**	(16,507)
Dividend income	**(30,394)**	(22,641)
Depreciation	**31,934**	70,500
Gain on disposal of property, plant and equipment	**–**	(387)
Decrease/(increase) in time deposits with banks with a maturity over 3 months	**13,527**	(266)
Net impairment loss	**259,925**	1,219,618
	79,854	(490,813)
Decrease in other loans and debt instruments	**30,060**	404,959
Decrease in finance lease receivables	**248,624**	163,688
Decrease/(increase) in accounts receivable	**294,167**	(156,774)
Decrease/(increase) in advances to customers in margin financing	**22,087**	(8,752)
Decrease in prepayments, deposits and other receivables	**29,436**	103,246
Decrease in financial assets at fair value through profit or loss	**290,834**	1,200,634
Decrease in restricted bank balances, and deposits in other financial institutions	**28,707**	91,985
Decrease in accounts payable	**(27,066)**	(98,807)
Decrease in other liabilities, payables and accruals	**(28,601)**	(96,503)
Decrease in repurchase agreements	**(53,312)**	(366,808)
Increase in amount due from related parties	**(11,462)**	(11,466)
Cash generated from operations	**903,328**	734,589
Tax (paid)/received	**(1,180)**	68,469
Interest received	**84,461**	44,379
Net cash flows from operating activities	**986,609**	847,437

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	**30,394**	22,641
Proceeds from disposal of financial assets at fair value through other comprehensive income	**26,866**	116,160
Proceeds from disposal of items of property, plant and equipment	**–**	752
Decrease in other long term assets	**–**	3,455
Purchases of items of property, plant and equipment	**(874)**	(1,115)
Proceeds from disposal of subsidiaries	**65,308**	173,663
Net cash flows from investing activities	**121,694**	315,556
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(326,843)**	(403,949)
Repayment of interest-bearing borrowings	**(769,572)**	(2,540,266)
Repayment of leases liabilities	**(28,600)**	(57,268)
Net changes from amount due to related parties	**17,819**	6,288
Proceeds from issuance of perpetual capital securities	**–**	3,846,715
Redemption of perpetual capital securities	**–**	(420,969)
Distribution to holder of perpetual capital securities of the Company	**(401,347)**	(158,466)
Redemption of perpetual capital securities during the year	**–**	(1,266,333)
Distribution relating to perpetual capital securities to NCI	**–**	(63,254)
Net cash used in financing activities	**(1,508,543)**	(1,057,502)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(400,240)**	105,491
Cash and cash equivalents at beginning of the year	**1,973,114**	1,839,523
Effect of foreign exchange rate changes, net	**8,481**	28,100
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,581,355**	1,973,114
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,551,890**	1,670,620
Time deposits with original maturity of less than three months	**29,465**	302,494
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,581,355**	1,973,114

1. Corporate and group information

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**HKEx**"). The principal activity of the Company is investment holding. The Group is principally engaged in the brokerage and dealing of securities, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is 15th floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong. The intermediate controlling shareholder of the Company is China Huarong International Holdings Limited ("**CHIH**") that is incorporated in Hong Kong through Camellia Pacific Investment Holding Limited and Right Select International Limited, both of which are incorporated in the British Virgin Islands and wholly-owned subsidiaries of CHIH. China CITIC Financial Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Co., Ltd.) ("**CCFAMC**"), a company established in the People's Republic of China ("**PRC**") and whose shares are listed on the Hong Kong Stock Exchange, became the ultimate holding company since 2015. Currently, major Shareholders of CCFAMC include the CITIC Group Corporation, Ministry of Finance (the "**MOF**"), China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company, Warburg Pincus and Sino-Ocean Group Holding Limited.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Huarong International TCSP Limited 華融國際託管服務有限公司	Hong Kong	HK$1,000	-	100%	Provision of management services
Huarong International Asset Management Limited 華融國際資產管理有限公司	Hong Kong	HK$141,750,000	-	100%	Provision of asset management services
Huarong International Securities Limited 華融國際證券有限公司	Hong Kong	HK$3,620,000,000	-	100%	Securities broking and trading and provision of margin financing
Fresh Idea Ventures Limited	British Virgin Islands/ Hong Kong	US$100	-	100%	Investment holding

1. Corporate and group information (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Option Best Holdings Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
Linewear Assets Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Huarong International Capital Limited 華融國際融資有限公司	Hong Kong	HK$45,000,000	–	100%	Advisory and corporate financing
Grand Shine International Holdings Hong Kong Limited 崇曦國際有限公司	Hong Kong	HK$100	–	100%	Investment holding
Beaverway Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
Advance Eagle Ventures Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Atlantic Star Global Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Bloom Right Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Cheery Plus Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
City Savvy Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Coastal Treasure Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment

1. Corporate and group information (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Coleman Global Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	**100%**	Direct investment
Star Lavish Limited	British Virgin Islands/ Hong Kong	US$1	–	**100%**	Direct investment
Wealth Channel Global Limited	British Virgin Islands/ Hong Kong	US$1	–	**100%**	Direct investment
華融晟遠（北京）投資有限公司 (note a)	PRC	RMB201,849,000	–	**100%**	Direct investment
中聚（深圳）融資租賃有限公司 (note a)	PRC	US$30,000,000	–	**100%**	Provision of financial services

Note (a): It is a wholly-owned enterprise registered under PRC Law.

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 assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("**FVTPL**"), and financial assets at fair value through other comprehensive income ("**FVTOCI**"), which are measured at fair value, as explained in the accounting policies set out below.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As at 31 December 2023, the Group had net current liabilities of HK$181 million (2022: net current assets of HK$2,343 million), net liabilities of HK$1,657 million (2022: net liabilities of HK$733 million) and incurred a loss of HK$567 million (2022: net loss of HK$2,228 million) for the year then ended.

In view of above circumstances, the directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures:

(i) *Continuous securing of certain bank borrowings*

The Group completed its negotiations with a bank for extension of a bank borrowing during 2023. Pursuant to the agreement with the bank, the next review date of the bank borrowing of HK$200 million will be August 2024.

In addition, a bank borrowing of HK$620 million has been repaid in February 2024.

2.1 Basis of preparation (continued)

Going concern basis (continued)

(ii) *Utilisation of banking facilities*

As at 31 December 2023, the Group has total bank credit facilities of approximately HK$1,706,626,000 (2022: approximately HK$2,480,870,000), of which HK$820,000,000 (2022: HK$1,599,000,000) were utilised by the Group.

(iii) *Support from intermediate controlling shareholder*

The Group has obtained a letter of support from its intermediate controlling shareholder, CHIH, who has confirmed its intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from CHIH will continue to be forthcoming. As at 31 December 2023, CHIH, directly and indirectly through its subsidiaries, lent an aggregate of HK$10.5 billion to the Group in forms of intercompany loans and perpetual securities (2022: HK$10.5 billion). Depending on the need for working capital, the Group may need to obtain the loans at different times and amounts. There are HK$1,500 million of intercompany borrowings to be due in 2024.

(iv) *Disposal of publicly traded bonds and listed equity securities*

In respect of public trade bonds and the listed equity securities in Hong Kong held by the Group which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the consolidated statement of financial position as at 31 December 2023, the Directors are of the opinion that the Group would be able to dispose of such investments as and when needed to alleviate the Group's liquidity pressure.

(v) *Measures to recover project cashflows, control expenses and contain capital expenditures*

The Group will take active measures to improve its cash flow through focus of resources to recover cashflows from existing projects and investments in the upcoming year. At the same time, the Group will continue to take active measures to control administrative costs through various channels including communication of the budget, control and monitoring by finance department within the Group.

2.1 Basis of preparation (continued)

Going concern basis (continued)

(vi) *Actively develop licensed business*

Securities:

(1) Focus on expanding institutional business and improve the profit contribution from institutional business.

(2) Collaborate with different segments to provide customers with comprehensive financial services of "investment + intelligence".

(3) Focus on retail market segments and wealth management business.

Asset management:

(1) Implement the fund investment-focused strategy.

(2) Focus on the transformation of "big non-performing" alternative investment and actively manage asset management business.

(3) Promote the characteristic model of main business and licensed business.

(4) Actively expand non-performing asset restructuring and mergers, alternative special direct investment and other asset management fund products.

(5) Based on the existing funds and new development of fund business, with existing platforms and personnel, focus on strengthening customer marketing efforts on the investment side and financing side, and strengthening the coordination and linkage within the Group, cross-combining investment banking business, investment business to give full play to the synergic effect of our licensed business.

2.1 Basis of preparation (continued)

Going concern basis (continued)

(vi) Actively develop licensed business (continued)

Corporate Finance:

(1) Focus on the underwriting, pricing and issuance of Hong Kong stock IPOs, focus on sub-sectors such as medicine and medical care, real estate, property, finance, etc., and continue to focus on key execution projects.

(2) In coordination with major non-performing main businesses, focus on arranging merger and acquisition opportunities for restructured assets.

(3) Undertake projects such as mergers and acquisitions, privatisation, cross-border mergers and acquisitions, and give full play to the company's brand effect and the advantages of capital investment banks.

(4) Focus on the main business of licenses and resume the development of debt underwriting business.

(5) Take the initiative, strengthen resource coordination and external cooperation, and expand business network.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements. The Audit Committee of the Board of Directors (the "**Board**") has confirmed that it has objectively and critically reviewed the measures mentioned above. The Audit Committee of the Board and the Board have confidence in the Group's management and concurred with management's view that the Group's business plan for the next twelve months is feasible and achievable. The Group has actively implemented, or is actively implementing, all the improvement targets outlined above for the purposes of increasing profits and improving the cash flow position of the Group.

2.1 Basis of preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2.2 Changes in accounting policies and disclosures (continued)

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate as that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. These amendments had no impact on the Group's financial statements as there were no transactions fallen within the scope of these amendments on or after the beginning of the earliest period presented.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Material accounting policies

Business combinations under common control

Business combinations under common control. For a combination with a company under common control, the merger accounting method will be applied. The principle of merger accounting is a way to combine companies under common control as though the business of the acquiree had always been carried out by the acquirer. The Group's consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the Group as if any such combination had occurred from the date when the Company and the acquiree first came under common control (i.e., no fair value adjustment on the date of combination is required). The difference between the consideration and carrying amount at the time of combination is recognised in equity. The effects of all transactions between the Group and the acquiree, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group. Comparative amounts are presented as if the acquiree had been combined at the end of the previous reporting period. The transaction costs for the combination will be expensed in the consolidated statement of profit or loss.

Consideration shares issued to the controlling party as part of a common control combination which is accounted for using merger accounting are presented as if the issuance of such shares had occurred from the date when the Company and the acquiree first came under common control; whereas consideration shares issued to the non-controlling parties are accounted for from the shares' issuance date.

For the calculation of basic earnings per share, consideration shares issued as part of a common control combination which is accounted for using merger accounting are included in the calculation of the weighted average number of shares for all periods presented because the consolidated financial statements of the combined entity are prepared as if the combined entity had always existed. Therefore, the number of ordinary shares in a common control combination which is accounted for using merger accounting is the aggregate of the weighted average number of shares of the entity whose shares are outstanding after the combination.

When an investment in a subsidiary, associate or joint venture is acquired in a common control transaction, the cost is measured at the fair value of the consideration given plus, where applicable any costs directly attributable to the acquisition.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

2.4 Material accounting policies (continued)

Investments in associates and joint ventures (continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 Material accounting policies (continued)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income at fair value at the end of each reporting period. 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.

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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 Material accounting policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. 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.

2.4 Material accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the 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:

Leasehold improvements	20% to 33% or over the lease terms, whichever is shorter
Furniture, equipment and motor vehicles	17% to 33%

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 profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

The Group as a buyer-lessor

For sale and leaseback transactions which are in substance a financing arrangement under HKFRS 9, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the net investment in the lease.

2.4 Material accounting policies (continued)

Intangible assets

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets, representing eligibility rights to trade on or through the Stock Exchange and The Hong Kong Futures Exchange Limited, and other licences, with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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 are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the profit or loss. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments.

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 Material accounting policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Material accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

2.4 Material accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

2.4 Material accounting policies (continued)

Perpetual capital securities

Perpetual capital securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Client trust bank balances

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as client trust bank balances under the current assets in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding accounts payable to the respective customers in the current liabilities clients on grounds that it is liable for any loss or misappropriation of clients' monies. Under the Securities and Futures Ordinance (Cap. 571), the Group is not allowed to use the clients' monies to settle its own obligation.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

Other assets

Other assets including, but not limited to, the deposits and admission fee paid to the Stock Exchange, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited and other regulators. They are intended to be held on a long-term basis and are stated at cost less impairment losses.

2.4 Material accounting policies (continued)

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 profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Material accounting policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue from contracts with customers

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

2.4 Material accounting policies (continued)

Revenue from contracts with customers (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Provision of securities and futures brokerage services

The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trades are executed.

Provision of corporate finance services

The performance obligation for sponsoring services are fulfilled when all the relevant duties of a sponsor as stated in the contract are completed. Accordingly, the revenue is recognised at a point in time. The performance obligation of certain consultancy and financial advisory services are fulfilled and recognised at a point in time or over time as the services are provided.

Provision of asset management services

Revenue from asset management services is recognised over time as the services are provided.

Performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

2.4 Material accounting policies (continued)

Revenue from other sources and other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Employee benefits

Pension scheme

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. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in People's Republic of China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Bonuses

The Group recognises a liability and an expense for bonuses, based on an approved formula that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

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

2.4 Material accounting policies (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Assets sold under repurchase agreements (repos)

The Group enter into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The securities related to these agreements are not derecognised from the Group's financial statements, but are retained within the appropriate financial assets classification. The Group may be required to provide additional collateral based on the fair value of the underlying assets if necessary.

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 profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 Material accounting policies (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. 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 statement of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the profit or loss and other comprehensive income.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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;

2.4 Material accounting policies (continued)

Related parties (Continued)

(b) (Continued)

(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); and

(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 parent of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements 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 of 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Taxes

Significant judgement is required in determining the provisions for income and other taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

3. Significant accounting judgements and estimates (continued)

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.

Impairment allowances on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and, forward-looking information.

Valuation of Level 3 financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, option pricing models and other valuation techniques commonly used by other market participants. Changes in assumptions on the valuation techniques could affect the reported fair values of these financial assets. Further details are contained in notes 17 and 41 to the financial statements.

4. Operating segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

Specifically, the Group's reportable and operating segments are as follows:

(a) the securities segment comprises the broking and dealing of securities, futures and options contracts and the provision of margin financing services.

(b) the corporate finance segment provides securities underwriting and sponsoring, advisory and financing arrangement services to institutional clients.

(c) the asset management and direct investment segment comprises the provision of asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products.

(d) the financial services and others segment comprises finance lease services, business consulting services, financing services and other related services.

Segment performance is evaluated based on reportable segment result, which is measured consistently with the Group's loss before tax except that certain other income and gains or losses, certain finance costs and other unallocated expenses (including certain staff costs, certain rental expenses, certain depreciation, certain legal and professional fees and certain other expenses, incurred for strategic planning of the Group) are excluded from such measurement.

For the measurement of segment liabilities and results, interest-bearing borrowings are not allocated to segments while their corresponding finance costs are allocated to segment results.

4. Operating segment information (continued)

(a) Operating segments

The following tables present the revenue and results for the years ended 31 December 2023 and 2022 for the Group's operating segments.

For the year ended 31 December 2023

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Financial services and others HK$'000	Total HK$'000
Segment revenue					
Commission and fee income	7,994	2,601	4,520	–	15,115
Interest income	3,258	–	102,144	51,232	156,634
Investment income	–	–	30,394	–	30,394
	11,252	2,601	137,058	51,232	202,143
Net loss on financial assets at fair value through profit or loss	–	–	(202,905)	–	(202,905)
Net gain arising from disposal of financial assets at fair value through other comprehensive income	–	–	2,055	–	2,055
Net gain arising from disposal of financial assets at amortised cost	–	–	–	102,114	102,114
Other income and gains or losses, net	8,125	185	55,567	(15,151)	48,726
	19,377	2,786	(8,225)	138,195	152,133
Segment results	(819)	(3,271)	(591,602)	90,697	(504,995)
Unallocated other income and gains or losses, expenses, net					(61,658)
Loss before tax					(566,653)
Income tax expense					(140)
Loss for the year					(566,793)

4. Operating segment information (continued)

(a) Operating segments (continued)

Other segment information for the year ended 31 December 2023

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Financial services and others HK$'000	Unallocated HK$'000	Total HK$'000
Finance costs	–	–	(233,547)	–	(93,752)	(327,299)
Net provision for impairment of other loans and debt instruments	–	–	(119,521)	–	–	(119,521)
Net provision for impairment of advances to customers in margin financing	(10,443)	–	–	–	–	(10,443)
Net provision for impairment of finance lease receivables	–	–	–	(44,747)	–	(44,747)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(82,113)	–	–	(82,113)
Net provision for impairment of other financial assets at amortised cost	(7)	–	(3,094)	–	–	(3,101)
Depreciation	(4)	–	(31,930)	–	–	(31,934)

4. Operating segment information (continued)

(a) Operating segments (continued)

For the year ended 31 December 2022

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Financial services and others HK$'000	Total HK$'000
Segment revenue					
Commission and fee income	11,216	502	1,308	–	13,026
Interest income	4,157	–	201,206	35,600	240,963
Investment income	–	–	22,641	–	22,641
	15,373	502	225,155	35,600	276,630
Net loss on financial assets at fair value through profit or loss	–	–	(334,109)	–	(334,109)
Net gain arising from disposal of financial assets at fair value through other comprehensive income	–	–	16,507	–	16,507
Net loss arising from disposal of financial assets at amortised cost	(617)	–	(217,095)	–	(217,712)
Other income and gains or losses, net	670	47	(3,888)	(113,111)	(116,282)
	15,426	549	(313,430)	(77,511)	(374,966)
Segment results	(39,700)	(8,925)	(1,702,167)	(419,907)	(2,170,699)
Unallocated other income and gains or losses, expenses, net					(83,788)
Loss before tax					(2,254,487)
Income tax credit					26,461
Loss for the year					(2,228,026)

4. Operating segment information (continued)

(a) Operating segments (continued)

Other segment information for the year ended 31 December 2022

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Financial services and others HK$'000	Unallocated HK$'000	Total HK$'000
Finance costs	–	–	(369,570)	–	(9,798)	(379,368)
Net provision for impairment of other loans and debt instruments	–	–	(336,097)	–	–	(336,097)
Net provision for impairment of advances to customers in margin financing	(11,033)	–	–	–	–	(11,033)
Net provision for impairment of finance lease receivables	–	–	–	(337,520)	–	(337,520)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(141,637)	–	–	(141,637)
Net provision for impairment of other financial assets at amortised cost	(5)	–	(393,326)	–	–	(393,331)
Depreciation	(34)	–	(65,311)	–	(5,155)	(70,500)

4. Operating segment information (continued)

(a) Operating segments (continued)

The following tables present the assets and liabilities for the Group's operating segments as at 31 December 2023 and 2022.

As at 31 December 2023

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Financial services and others HK$'000	Total HK$'000
Total segment assets	**1,132,303**	**17,282**	**1,722,339**	**726,774**	**3,598,698**
Other unallocated assets					**319,568**
Total assets					**3,918,266**
Total segment liabilities	**115,269**	**–**	**34,906**	**305,621**	**455,796**
Other unallocated liabilities					**5,119,124**
Total liabilities					**5,574,920**

As at 31 December 2022

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Financial services and others HK$'000	Total HK$'000
Total segment assets	1,266,161	22,578	1,981,265	585,081	3,855,085
Other unallocated assets					1,876,869
Total assets					5,731,954
Total segment liabilities	177,966	100	71,253	302,479	551,798
Other unallocated liabilities					5,913,038
Total liabilities					6,464,836

4. Operating segment information (continued)

(b) Geographical information

The Group's operations are located in Hong Kong and Mainland China.

Information about the Group's revenue from external customers is presented based on the location of the operations.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**150,911**	240,136	**5,477**	36,537
Mainland China	**51,232**	36,494	**5**	5
Total	**202,143**	276,630	**5,482**	36,542

Note: Non-current assets excluded financial assets.

(c) Information about major customers

During the year ended 31 December 2023, three external customers contributed more than 10% of total revenue of the Group (2022: one external customer):

	2023	2022
	HK$'000	HK$'000
Customer A from asset management and direct investment:	**59,468**	39,249
Customer B from asset management and direct management:	**28,359**	554
Customer C from financial services and others:	**49,214**	13,629

5. Revenue

The Group's revenue is disaggregated as follows:

	2023	2022
	HK$'000	HK$'000
Revenue from contracts with customers		
Commission and fee income (note (i)):		
Fee and commission income on securities dealing and brokerage	**7,875**	11,050
Placing and underwriting fee income	**1**	252
Consultancy and financial advisory fee income	**2,600**	274
Management fee income	**1,764**	1,308
Other service income	**2,875**	142
	15,115	13,026
Revenue from other sources		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	**82,164**	111,509
Interest income from finance lease receivables	**51,232**	35,600
Interest income from margin financing activities	**3,258**	4,157
	136,654	151,266
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	**9,210**	72,958
Interest income from financial assets at fair value through other comprehensive income	**10,770**	16,739
	19,980	89,697
Total interest income	**156,634**	240,963
Investment income:		
Dividend income	**30,394**	22,641
Total revenue	**202,143**	276,630

5. Revenue (continued)

Note:

(i) Disaggregated revenue information for revenue from contracts with customers

	2023 HK$'000	2022 HK$'000
Services transferred at a point in time	**12,351**	11,444
Services transferred over time	**2,764**	1,582
Total revenue from contracts with customers	**15,115**	13,026

6. Finance costs

	2023 HK$'000	2022 HK$'000
Interest on bank borrowings		
– repayable on demand and within one year	**93,751**	60,363
Interest on repurchase agreements and other activities		
– repayable on demand and within one year	**3,989**	9,829
Interest on loans from an intermediate holding company		
– repayable on demand and within one year	**11,069**	14,871
– repayable in more than one year but not more than five years	**81,592**	154,483
– repayable in more than five years	**32,410**	32,686
Interest on a loan from a fellow subsidiary		
– repayable on demand and within one year	**2,593**	–
– repayable in more than one year but not more than five years	**–**	2,791
Interest on loans from an immediate holding company		
– repayable on demand and within one year	**51,878**	–
– repayable in more than one year but not more than five years	**–**	51,913
– repayable in more than five years	**49,628**	49,663
Interest on lease liabilities		
– repayable on demand and within one year	**388**	2,735
– repayable in more than one year but not more than five years	**–**	34
	327,299	379,368

7. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	2023 **HK$'000**	2022 HK$'000
Depreciation of property, plant and equipment	**2,859**	9,402
Depreciation of right-of-use assets	**29,075**	61,098
Gain on disposal of property, plant and equipment	**–**	(387)
Auditor's remuneration	**5,150**	6,013
Legal and professional fees	**8,885**	12,321
Salaries, bonuses and allowances (including directors' remuneration)	**27,452**	54,700
Pension scheme contributions (including directors' remuneration)	**1,545**	1,729
Net provision for impairment of other loans and debt instruments	**119,521**	336,097
Net provision for impairment of advances to customers in margin financing	**10,443**	11,033
Net provision for impairment of finance lease receivables	**44,747**	337,520
Net provision for impairment of financial assets at fair value through other comprehensive income	**82,113**	141,637
Net provision for impairment of accounts receivable	**3,101**	365,008
Net provision for impairment of other assets	**–**	28,323

8. Directors' and chief executive's remuneration

Directors' and chief executive's remuneration 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	**1,240**	1,240
Other emoluments:		
Salaries, allowances and benefits in kind	**1,273**	1,192
Discretionary bonuses	**187**	120
Retirement benefits	**18**	27
	1,478	1,339
	2,718	2,579

8. Directors' and chief executive's remuneration (continued)

Detail analysis is set out below:

2023

(a) *Executive directors*

	Mr. Chen Qinghua HK$'000	Mr. Lu Xinzheng HK$'000	Total HK$'000
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	–	1,273	1,273
Discretionary bonuses	–	187	187
Retirement benefits	–	18	18
	–	1,478	1,478

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Note: Mr. Chen Qinghua is the general manager of an intermediate holding company and his emolument has been borne by the intermediate holding company. No apportionment has been made by the intermediate holding company and the Company.

(b) *Non-executive director*

Mr. Zhang Xing's emolument has been borne by an intermediate holding company. No apportionment has been made by the intermediate holding company and the Company.

8. Directors' and chief executive's remuneration (continued)

2023 (continued)

(c) Independent non-executive directors

	Mr. Hung Ka Hai Clement HK$'000	Mr. Ma Lishan HK$'000	Mr. Guan Huanfei HK$'000	Dr. Lam Lee G. HK$'000	Total HK$'000
Fees	320	310	310	300	1,240
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Discretionary bonuses	–	–	–	–	–
Retirement benefits	–	–	–	–	–
	320	310	310	300	1,240

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. There were no other emoluments payable to the independent non-executive directors during the year.

8. Directors' and chief executive's remuneration (continued)

2022

(a) *Executive directors*

	Mr. Xu Xiaowu (appointed on 4 January 2021 and resigned on 17 June 2022) HK$'000	Mr. Wang Junlai (resigned on 17 June 2022) HK$'000	Mr. Chen Qinghua (appointed on 17 June 2022) HK$'000	Mr. Lu Xinzheng (appointed on 17 June 2022) HK$'000	Total HK$'000
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	262	331	–	599	1,192
Discretionary bonuses	76	37	–	7	120
Retirement benefits	8	9	–	10	27
	346	377	–	616	1,339

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Note: Mr. Chen Qinghua is the general manager of an intermediate holding company and his emolument has been borne by the intermediate holding company. No appointment has been made by the intermediate holding company and the Company.

(b) *Non-executive director*

Mr. Zhang Xing was appointed as a non-executive director on 17 June 2022. His emolument has been borne by an intermediate holding company. No appointment has been made by the intermediate holding company and the Company. Ms. Wang Qi ceased from being a non-executive director since 8 July 2022.

8. Directors' and chief executive's remuneration(continued)

2022 (continued)

(c) Independent non-executive directors

	Mr. Hung Ka Hai Clement HK$'000	Mr. Ma Lishan HK$'000	Mr. Guan Huanfei HK$'000	Dr. Lam Lee G. HK$'000	Total HK$'000
Fees	320	310	310	300	1,240
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Discretionary bonuses	–	–	–	–	–
Retirement benefits	–	–	–	–	–
	320	310	310	300	1,240

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. There were no other emoluments payable to the independent non-executive directors during the year.

9. Five highest paid employees

Excluding the amounts paid or payable by way of commission of sales generated by the individuals, the five highest paid employees during the year did not include any directors (2022: none). Details of the remuneration of the five (2022: five) non-director and highest paid employees for the year are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other benefits	**5,707**	7,888
Retirement benefits	**92**	90
	5,799	7,978

9. Five highest paid employees (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

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

10. Income tax

	2023 HK$'000	2022 HK$'000
Current tax:		
Hong Kong	**140**	1,491
Over-provision in prior years:		
Hong Kong	**–**	(27,952)
	140	(26,461)

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime insignificant to the consolidated financial statements. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for both years.

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, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China was 25% for the year (2022: 25%).

10. Income tax (continued)

A reconciliation of the tax applicable to loss before tax at the statutory rate of Hong Kong, where the Company is headquartered, to the tax expense is as follows:

	2023 **HK$'000**	2022 HK$'000
Loss before tax	**(566,653)**	(2,254,487)
Tax at the statutory tax rate of 16.5% (2022: 16.5%)	**(93,498)**	(371,990)
Effect of different tax rate of 8.25% under two-tiered tax regime (2022: 8.25%)	**(180)**	–
Over-provision in prior years	**–**	(27,952)
Income not subject to tax	**(15,600)**	(8,543)
Expenses not deductible for tax	**8,703**	41,527
Effect of tax loss not recognised	**95,309**	232,982
Temporary difference not recognised	**(1,594)**	155,989
Tax loss utilised	**(510)**	(12,865)
Effect of different tax rate of subsidiaries operating on other jurisdiction	**7,510**	(35,609)
Tax charge/(credit) for the year	**140**	(26,461)

At the end of the year, the Group has unused tax losses arising in Hong Kong of approximately HK$9,242,366,000 (2022: HK$8,854,571,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The group also has tax losses arising in PRC of HK$252,522,000 (2022: HK$125,793,000) that will expire in one to five years for offsetting against future taxable profits. As of 31 December 2023, no deferred tax asset has been recognised due to the unpredictability of future profit streams.

At 31 December 2023, the Group has other deductible temporary differences of HK$1,500,479,000 (2022: HK$1,747,728,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 December 2023 and 2022, in the opinion of the directors that there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in PRC that are subject to withholding taxes.

11. Dividends

The directors of the Company do not recommend the payment of any dividend for the year. No dividend was paid to the shareholders of the Company for the years ended 31 December 2023 and 31 December 2022. The board has resolved not to declare the payment of any dividend for the years ended 31 December 2023 and 31 December 2022.

12. Loss per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share attributable to ordinary equity holders of the Company is as follows:

	2023	2022
	HK$'000	HK$'000
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(967,291)**	(2,500,007)

	Number of shares	
	2023	2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**8,709,586**	8,709,586

No diluted loss per share was presented for both years because there were no potential dilutive ordinary shares during both the current and prior years.

13. Property, plant and equipment

	Leasehold improvements HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
2023			
At 1 January 2023:			
Cost	**31,377**	**133,655**	**165,032**
Accumulated depreciation and impairment	**(29,977)**	**(130,606)**	**(160,583)**
Net carrying amount	**1,400**	**3,049**	**4,449**
At 1 January 2023, net of accumulated depreciation and impairment	**1,400**	**3,049**	**4,449**
Additions	**–**	**874**	**874**
Depreciation provided during the year	**(779)**	**(2,080)**	**(2,859)**
At 31 December 2023, net of accumulated depreciation and impairment	**621**	**1,843**	**2,464**
At 31 December 2023			
Cost	**31,377**	**134,518**	**165,895**
Accumulated depreciation and impairment	**(30,756)**	**(132,675)**	**(163,431)**
Net carrying amount	**621**	**1,843**	**2,464**

13. Property, plant and equipment (continued)

	Leasehold improvements HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
2022			
At 1 January 2022:			
Cost	78,333	175,284	253,617
Accumulated depreciation and impairment	(72,315)	(168,201)	(240,516)
Net carrying amount	6,018	7,083	13,101
At 1 January 2022, net of accumulated depreciation and impairment	6,018	7,083	13,101
Additions	739	376	1,115
Disposals	(73)	(292)	(365)
Depreciation provided during the year	(5,284)	(4,118)	(9,402)
At 31 December 2022, net of accumulated depreciation and impairment	1,400	3,049	4,449
At 31 December 2022			
Cost	31,377	133,655	165,032
Accumulated depreciation and impairment	(29,977)	(130,606)	(160,583)
Net carrying amount	1,400	3,049	4,449

14. Other long term assets

	2023 **HK$'000**	2022 HK$'000
Deposits with HKEx:		
Compensation Fund	**293**	293
Fidelity Fund	**250**	250
Admission fee paid to Hong Kong Securities Clearing Company Limited	**250**	250
Deposit with the Guarantee Fund of the Central Clearing and Settlement System	**250**	250
	1,043	1,043

15. Intangible assets

	Trading rights HK$'000
COST	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**20,171**
ACCUMULATED IMPAIRMENT	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**17,821**
NET CARRYING AMOUNT	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**2,350**

The trading rights represent the eligibility rights to trade on or through the HKEx and have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. No additional impairment was considered necessary for the years ended 31 December 2023 and 2022.

16. Right-of-use assets

	Leased properties HK$'000	Office equipment HK$'000	Total HK$'000
As at 1 January 2022			
Carrying amount	78,803	908	79,711
Depreciation provided during the year	(60,814)	(284)	(61,098)
Additions to right-of-use assets	12,935	–	12,935
Termination of lease	(1,658)	(147)	(1,805)
As at 31 December 2022 and 1 January 2023			
Carrying amount	29,266	477	29,743
Depreciation provided during the year	**(28,791)**	**(284)**	**(29,075)**
As at 31 December 2023			
Carrying amount	**475**	**193**	**668**

For both years, the Group leases various offices, staff quarters and office equipment for its operations. Lease contracts are entered into for a fixed term of 12 months to 60 months, and may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office equipment and staff quarters. As at 31 December 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed as below.

The amount recognised in profit or loss in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**388**	2,769
Expense relating to short-term leases and leases of low-value assets	**891**	2,185
Depreciation of right-of-use assets during the year	**29,075**	61,098

17. Financial assets at fair value through profit or loss

	2023 HK$'000	2022 HK$'000
Financial assets at FVTPL		
Non-current:		
– Unlisted fund investments	**468,897**	533,830
– Listed fixed income securities	**122,622**	217,175
– Unlisted fixed income securities (note (ii))	**278,133**	–
	869,652	751,005
Current:		
– Unlisted fund investments (note (i))	**323,917**	479,717
– Listed equity investments	**15,613**	63,492
– Listed fixed income securities	**41,827**	55,583
– Unlisted fixed income securities (note (ii))	**–**	394,651
	381,357	993,443
Total financial assets at FVTPL	**1,251,009**	1,744,448

Notes:

(i) The Group expects to realise the unlisted fund investments of approximately HK$323,917,000 (2022: HK$479,717,000) within the next twelve months and has accordingly classified them as current assets.

(ii) The coupon rate of these unlisted fixed income securities is 7% (2022: ranged from 7% to 8%) per annum as at 31 December 2023. The Group expects to realise such unlisted fixed income securities in more than 1 year (2022: within the next twelve months).

18. Financial assets at fair value through other comprehensive income

	2023	2022
	HK$'000	HK$'000
Non-current:		
Fixed income investments, at fair value	**21,286**	158,251
Current:		
Fixed income investments, at fair value	**112,552**	47,164
	133,838	205,415

During the year, the loss in respect of changes in the fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK$44,171,000 (2022: loss of approximately HK$99,785,000). During the year, the Group has made net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK$82,113,000 (2022: HK$141,637,000). Total allowance for impairment as at 31 December 2023 is HK$273,859,000 (2022: HK$431,129,000). During the year, the Group disposed of financial assets at FVTOCI to independent third parties and a gain of approximately HK$2,055,000 (2022: a gain of approximately HK$16,507,000) was reclassified from other comprehensive income to profit or loss upon disposal.

Interest income derived from financial assets at FVTOCI was recognised as "interest income from financial assets at fair value through other comprehensive income" within "revenue".

Details of movements in the provision for impairment are set out in note 42.

19. Finance lease receivables

	2023	2022
	HK$'000	HK$'000
Minimum finance lease receivables		
Within one year	**596,812**	1,125,516
Less: Unearned finance income	**–**	(1,234)
Net amount of finance lease receivables	**596,812**	1,124,282
Less: Allowance for expected credit losses ("**ECL**")	**(512,335)**	(747,717)
Carrying amount of finance lease receivables	**84,477**	376,565
Present value of minimum finance lease receivables:		
Within one year	**596,812**	1,124,282

Movement of ECL

	HK$'000
At 1 January 2022	468,128
Net provision for impairment for the year	337,520
Written off	(3,668)
Exchange difference on translation of foreign operations	(54,263)
At 31 December 2022 and 1 January 2023	**747,717**
Net provision for impairment for the year	**44,747**
Written off	**(3,802)**
Disposal	**(266,954)**
Exchange difference on translation of foreign operations	**(9,373)**
At 31 December 2023	**512,335**

At 31 December 2023, finance lease receivables were all secured by the lease assets which are mainly machineries, motor vehicles and equipment. Interest rates of the above finance leases ranged from 6.80% to 9.75% per annum (2022: 6.80% to 9.75% per annum).

20. Other loans and debt instruments

	2023 HK$'000	2022 HK$'000
Other loans and debt instruments	**1,322,986**	1,282,822
Less: Allowance for expected credit losses	**(908,648)**	(789,127)
	414,338	493,695
Analysed as:		
Non-current	**414,338**	255,821
Current	**–**	237,874
	414,338	493,695

As at 31 December 2023, other loans and debt instruments have contractual interest rates ranging from 8.5% to 25% per annum (2022: 8% to 25% per annum).

As at 31 December 2023, other loans and debt instruments with a carrying amount of approximately HK$414,338,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China (2022: approximately HK$493,695,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China).

As at 31 December 2023, one of the other loans and debts instruments with a carrying amount of approximately HK$237,874,000 (2022: approximately HK$237,874,000) was overdue and the remaining balances were novation loans with no maturity date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value.

Regular reviews on other loans and debt instruments are conducted by the risk management department based on the latest status of other loans and debt instruments, and the latest announced or available information about the borrowers and the underlying collaterals held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans and debt instruments in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial position.

20. Other loans and debt instruments (continued)

The management of the Group estimates the amount of loss allowance for expected credit loss on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit loss of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the fair value of the collateral received from the customers in determining the impairment with the involvement of third party qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 31 December 2023, the gross carrying amount of other loans and debt instruments under 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (2022: nil), HK$123,058,000 (2022: HK$153,118,000) and HK$1,199,928,000 (2022: HK$1,129,704,000), respectively.

As at 31 December 2023, the average loss rates of other loans and debt instruments under 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (2022: nil), 4.84% (2022: 0.01%) and 75% (2022: 70%), respectively.

As at 31 December 2023, the contractual amount outstanding on other loans and debt instruments that have been written off during the year was nil (2022: HK$580,639,000).

Novation loans

The Hong Kong economy had been greatly impacted by the US and China trade tariff dispute and worsened further by the Coronavirus outbreak, certain margin clients concerned have been unable to repay the margin loans as scheduled despite the vigorous efforts by the Group to demand repayment. The margin loan recovery plan has met these major obstacles unexpected and not been able to deliver satisfactory results to date.

According to Paragraphs 3.10 and 6.4 of Guidelines for Securities Margin Financing Activities ("**SMF Guidelines**"), a Securities Margin Financing ("**SMF**") broker should assess the concentration risks of individual securities collateral by estimating the impact on its excess liquid capital of the hypothetical stress scenario of the securities held as collateral being valued at zero by the FRR for liquid capital calculation purposes and a SMF broker should also take reasonable steps to avoid excessive exposure to outstanding margin calls.

In order to comply with the requirements of the SMF Guidelines, a subsidiary of the Company ("**subsidiary A**") had notified the Securities and Futures Commission ("**SFC**") as at 6 March 2020 that it has worked out various alternative measures.

20. Other loans and debt instruments (continued)

Novation loans (continued)

Thereafter, subsidiary A of the Company had taken action to restructure certain margin loans and underlying collaterals into certain loans backed by security interest and guarantee (if any) by assigning the debts and other rights and interests to a subsidiary of the Company ("**subsidiary B**") through executing agreements with certain margin customers and their guarantors (if any). Subsidiary A has signed deeds of assignment with certain margin customers which were effective on 30 April 2020 and subsidiary A thereby assigned certain advances to customers in margin financing to subsidiary B. Subsidiary B also signed side deeds during 2020 with subsidiary A that, in consideration for the abovementioned assignment of debts and other rights and interests, subsidiary B shall pay a gross amount of HK$2,447,008,000 at a transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free.

As at 31 December 2023, there was a further reduction in the carrying amount of the assigned loans as compared to the position as at the assignment date as a result of increase of provision for impairment during the year. The assigned loans have gross amount of HK$736,987,000 (2022: HK$881,325,000) and allowance for expected credit losses of HK$560,523,000 (2022: HK$625,504,000), resulting in a net balance of HK$176,464,000 (2022: HK$255,821,000).

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 42.

21. Investments accounted for using the equity method and amount due from an associate

		Interest held by the Group		
Name of entity	**Country of incorporation**	**31 December 2023**	31 December 2022	**Principal activities**
Hua Rong Bo Run International Investment Holdings Limited	Hong Kong	**40%**	40%	Investment holding

The carrying amount of total investment in an associate using the equity method (comprised the cost of unlisted investment in the associate, share of results of the associate and exchange differences) were nil as at 31 December 2023 and 31 December 2022.

The share of profit arisen from Hua Rong Bo Run International Investment Holdings Limited for the year ended 31 December 2023 and 31 December 2022 were nil.

The gross amount of amount due from the associate, Hua Rong Bo Run International Investment Holdings Limited, with an interest rate of 7% per annum, repayable on 21 May 2022, is HK$307,129,000 (2022: HK$306,386,000). Upon the maturity of the amount due from an associate, there is no repayment of principal from the associate. Provision for impairment of HK$307,129,000 (2022: HK$306,386,000) has been made against the amount due from the associate as at 31 December 2023 due to significant financial difficulty of the associate. The carrying amount of the amount due from the associate was nil as at 31 December 2023 (2022: nil).

22. Advances to customers in margin financing

	2023	2022
	HK$'000	HK$'000
Advances to customers in margin financing	**105,102**	126,283
Less: Allowance for expected credit losses	**(93,671)**	(83,228)
	11,431	43,055

The advances to customers in margin financing are interest-bearing and secured by the underlying pledged securities. The Group maintains a list of approved securities for margin lending at a specific loan to collateral ratio. Any excess in the lending ratio will trigger a margin call in the case of which the customers have to make additional funds available for the shortfall.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in the view of the revolving nature of the business of securities margin financing.

The Group allows a credit period of up to the settlement dates of the respective securities, futures, options transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Advances for margin financing are secured by the pledge of customers' securities as collaterals. The credit facility limits to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. Overdue balances are reviewed regularly by the management. The carrying amount of the loans and the market value of the collateral securities are reviewed regularly by the risk management department. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged or sold at the Group's discretion to settle any outstanding amount owed by margin clients.

All the pledged securities were listed equity securities in the respective stock exchanges in Hong Kong as at 31 December 2023 and 2022, amounted to HK$71,227,000 and HK$210,290,000, respectively. The loans are repayable on demand subsequent to the settlement date of the trade.

As at 31 December 2023, the Group has concentration of credit risk as 95% (2022: 86%) of the total advances to securities margin clients due from the Group's five largest securities margin clients.

22. Advances to customers in margin financing (continued)

In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account the shortfall by comparing the market value of securities pledged as collateral and the outstanding balance of the loan to margin clients individually taking into account of the subsequent settlement or executable settlement plan and restructuring arrangements. The management of the Group estimates the amount of expected credit loss allowance on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit losses of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the market value of the collateral received from the customers in determining the impairment with the involvement of independent qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 31 December 2023, the gross carrying amount of advances to customers in margin financing under 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were HK$11,019,000 (2022: HK$33,008,000), nil (2022: nil) and HK$94,083,000 (2022: HK$93,275,000), respectively.

As at 31 December 2023, the average loss rates of advances to customers in margin financing under 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.22% (2022: 0.09%), nil (2022: nil) and 99.5% (2022: 89.2%), respectively.

As at 31 December 2023 and 31 December 2022, the contractual amount outstanding on advances to customers in margin financing that have been written off, but were still subject to enforcement activity was nil.

23. Accounts receivable

	2023 HK$'000	2022 HK$'000
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	**296**	344
– brokers, dealers and clearing houses	**2,145**	422
– corporate finance and asset management	**6,608**	18,993
– direct investment and others	**310,883**	654,444
	319,932	674,203
Less: Allowance for expected credit losses	**(76,286)**	(133,289)
	243,646	540,914

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to the settlement date and bear variable interests at commercial rates. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after the trade date or at specific terms agreed with clients, brokers and dealers.

Normal settlement terms of accounts receivable arising from the business corporate finance and asset management are determined in accordance with the agreed terms, usually within 3 months after the service was provided.

23. Accounts Receivable (continued)

An ageing analysis of the Group's accounts receivable, based on the trade date and net of allowance for expected credit losses, is as follows:

	2023 **HK$'000**	2022 HK$'000
0–30 days	**239,256**	534,982
31–90 days	**–**	–
91–365 days	**–**	–
Over 365 days	**4,390**	5,932
	243,646	540,914

Movement of ECL

	2023 **HK$'000**	2022 HK$'000
At beginning of year	**133,289**	276,419
Net provision for impairment	**3,101**	365,008
Amount written off during the year	**(60,104)**	(508,138)
At end of year	**76,286**	133,289

For accounts receivable from clients, the management ensures that the available cash balance and listed equity securities belonging to accounts receivable clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group. For the remaining accounts receivable that are overdue, management maintains effective control over the repayment schedule and assesses the latest status of the debtors.

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 42.

As at 31 December 2023, accounts receivable amounting to HK$6,608,000 (2022: HK$18,993,000) arose from corporate finance and asset management business which is under the scope of HKFRS 15 and accounts receivable amounting to HK$310,883,000 (2022: HK$654,444,000) arose from direct investment business. The Group performs impairment assessment under lifetime ECL on these balances individually for debtors. As at 31 December 2023, allowance amounting to HK$75,995,000 (2022: HK$133,005,000) was made accordingly.

The remaining allowance for expected credit losses of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK$291,000 (2022: HK$284,000).

24. Prepayments, deposits and other receivables

	2023	2022
	HK$'000	HK$'000
Non-current		
Deposits	**–**	44
	–	44
Current		
Prepayments	**30,410**	34,723
Deposits	**21,211**	42,186
Other receivables (note (i))	**3,043**	72,455
	54,664	149,364
	54,664	149,408

Note:

(i) As at 31 December 2022, approximately HK$65,367,000 was an amount due from Dong Yin Development (Holdings) Limited in relation to the disposal of subsidiaries in 2021. The balance has been fully settled in 2023. Please refer to note 37 for details.

25. Amounts due from/(to) related parties

The balances with an immediate holding company, an intermediate holding company and fellow subsidiaries are non-trade in nature which are unsecured, interest-free and repayable on demand.

26. Restricted bank balances

The Group maintains segregated trust accounts with licenced banks to hold clients' monies arising from its normal course of business licenced by the Securities and Futures Commission. The Group has classified these clients' monies as restricted bank balances under the current assets section of the consolidated statement of financial position and recognised the corresponding amounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these client's monies. The Group is not permitted to use the clients' monies to settle its own obligations.

27. Deposits in other financial institutions

The amounts represented deposits placed with securities brokers for securities trading purposes and carry interest at prevailing market rates.

28. Cash and deposits with banks

	2023 **HK$'000**	2022 HK$'000
Cash and bank balances	**1,551,890**	1,670,620
Time deposits with original maturity of less than three months	**29,465**	302,494
Cash and cash equivalents	**1,581,355**	1,973,114
Time deposits with original maturity of more than three months	**–**	13,527
Total cash and deposits with banks	**1,581,355**	1,986,641

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023 and December 2022, no time deposit has been pledged for a bank borrowing.

29. Accounts payable

An ageing analysis of the Group's accounts payable, based on the settlement due date, is as follows:

	2023 **HK$'000**	2022 HK$'000
Current to 1 month	**98,559**	125,625

The accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

As at 31 December 2023, accounts payable with a carrying amount of approximately HK$96,966,000 (2022: HK$123,710,000) are interest-bearing at bank savings deposit rates.

30. Other liabilities, payables and accruals

	2023	2022
	HK$'000	HK$'000
Current:		
Other payables	**109,080**	149,989
Interest payables (note (i))	**46,838**	46,382
Accruals	**3,017**	3,322
Receipt in advance	**301**	65
	159,236	199,758
Non-current:		
Other payables	**3,504**	3,504
	162,740	203,262

Other payables and accrued liabilities are non-interest-bearing.

Note:

(i) Included in interest payables are the interest payables of HK$19,290,000 (2022: HK$19,244,000) in relation to the loans from the intermediate holding company of an aggregate amount of US$280,115,000 (2022: US$280,115,000) at annual interest rates ranging from 4.3% to 7.98% (2022: 4.3% to 7.98%) and interest payables of HK$2,020,000 (2022: HK$4,278,000) in relation to the bank borrowings. Moreover, interest payables of HK$20,214,000 (2022: HK$21,464,000) are related to the loans from an immediate holding company and HK$5,314,000 (2022: HK$1,396,000) is related to an unsecured loan from a fellow subsidiary.

31. Interest-bearing borrowings

	2023 HK$'000	2022 HK$'000
Non-current:		
Unsecured loans from an intermediate holding company	**1,942,245**	2,183,984
Unsecured loans from an immediate holding company	**841,304**	2,034,482
An unsecured loan from a fellow subsidiary	**–**	55,974
	2,783,549	4,274,440
Current:		
Unsecured bank borrowings	**820,000**	1,599,000
Unsecured loans from an intermediate holding company	**247,034**	–
Unsecured loans from an immediate holding company	**1,198,111**	–
An unsecured loan from a fellow subsidiary	**55,174**	–
	2,320,319	1,599,000
Total interest-bearing borrowings	**5,103,868**	5,873,440

	2023 HK$'000	2022 HK$'000
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
On demand or within one year	**2,320,319**	1,599,000
Within a period of more than one year but not exceeding two years	**–**	1,497,624
Within a period of more than two years but not exceeding five years	**1,290,855**	1,287,732
More than five years	**1,492,694**	1,489,084
	5,103,868	5,873,440

	2023 HK$'000	2022 HK$'000
Denominated in:		
HK$	**820,000**	1,599,000
US$	**4,228,694**	4,218,466
RMB	**55,174**	55,974
	5,103,868	5,873,440

31. Interest-bearing borrowings (continued)

As at 31 December 2023 and 31 December 2022, there were no secured bank borrowings.

As at 31 December 2023, the Group has utilised bank credit facilities of approximately HK$820,000,000 (2022: HK$1,599,000,000) subject to floating interest rates.

In addition, the Group had loans amounting to approximately US$280,115,000 (equivalent to approximately HK$2,189,279,000) (2022: US$280,115,000 (equivalent to approximately HK$2,183,984,000)) from its intermediate holding company, for the operation of the Group's business. The loans bear interest at fixed interest rates ranging from 4.3% to 7.98% per annum (2022: 4.3% to 7.98% per annum) and are repayable in one year and within six years (2022: after one years and within seven years) from the end of the year.

Furthermore, the Group had loans of US$260,940,000 (equivalent to approximately HK$2,039,415,000) (2022: US$260,940,000 (equivalent to approximately HK$2,034,482,000)) from its immediate holding company, for the operation of the Group's business. The loans bear interest at fixed interest rates ranging from 3.87% to 5.81% per annum (2022: 3.87% to 5.81% per annum) and are repayable in one year and within six years (2022: after one year and within seven years) from the end of the year.

In addition, the Group had a loan of RMB50,000,000 (equivalent to approximately HK$55,174,000) (2022: RMB50,000,000 (equivalent to approximately HK$55,974,000)) from its fellow subsidiary, for the operation of the Group's business. The loan bears interest at fixed interest rate of 4.75% per annum (2022: 4.75% per annum) and is repayable in one year (2022: repayable in two years) from the end of the year.

The carrying amounts of the interest-bearing borrowings approximate to their fair values as the impact on discounting is not significant.

The Group completed its negotiation with a bank for an extension of a bank borrowing during 2023. Pursuant to the agreement with the bank, the next review date of the bank borrowing of HK$200 million will be August 2024.

In addition, a bank borrowing of HK$620 million had been repaid in February 2024.

32. Repurchase agreements

Repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not derecognised from the Group's consolidated statement of financial position and are retained within the appropriate financial assets classification. The amount received by the Group is recognised as liabilities as the Group retains substantially all risks and returns of the securities.

As at 31 December 2023, the obligations under repurchase agreements were HK$54,019,000 (2022: HK$107,331,000).

The following table specifies the amount included within financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income subject to repurchase agreements at the year end.

	2023 **HK$'000**	2022 HK$'000
Financial assets at fair value through other comprehensive income	**67,812**	71,540
Financial assets at fair value though profit or loss	**4,356**	14,800
	72,168	86,340

33. Lease liabilities

	2023 **HK$'000**	2022 HK$'000
Maturity of lease liabilities:		
Within one year	**812**	28,907
Within a period of more than one year but not more than two years	**–**	505
	812	29,412
Less: Amount due for settlement with 12 months shown under current liabilities	**(812)**	(28,907)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	505

The carrying amount of lease liabilities and the movements during the year are as follows.

	2023 **HK$'000**	2022 HK$'000
Carrying amount at 1 January	**29,412**	88,028
New leases	**–**	518
Accretion of interest recognised during the year	**388**	2,769
Payments	**(28,988)**	(60,037)
Termination of lease	**–**	(1,866)
Carrying amount at 31 December	**812**	29,412

34. Share capital

	Number of shares	Share capital
	'000,000	HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**1,000,000**	**1,000,000**
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**8,710**	**8,710**

35. Perpetual capital securities classified as equity instruments

	Principal	Distributions	Total
	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2022	2,737,154	18,627	2,755,781
Issuance of perpetual capital securities during the year	3,846,715	–	3,846,715
Redemption of perpetual capital securities during the year	(420,969)	–	(420,969)
Profit attributable to holder of perpetual capital securities	–	219,423	219,423
Distribution relating to perpetual capital securities	–	(158,466)	(158,466)
Balance as at 31 December 2022 and 1 January 2023	**6,162,900**	**79,584**	**6,242,484**
Profit attributable to holder of perpetual capital securities	**–**	**400,498**	**400,498**
Distribution relating to perpetual capital securities	**–**	**(401,347)**	**(401,347)**
Balance as at 31 December 2023	**6,162,900**	**78,735**	**6,241,635**

In 2022, the Company issued perpetual capital securities with the principal amount of US$490,000,000 (equivalent to approximately HK$3,846,715,000) to CHIH, an intermediate holding company of the Company. The perpetual capital securities are classified as equity instruments, as there is no maturity of the instruments and the payments of distribution can be deferred into perpetuity at the discretion of the Company. When the Company elects to distribute, the distribution to the holder of perpetual capital securities shall be made at the distribution rate as set out in the subscription agreement.

36. Commitments

	2023	2022
	HK$'000	HK$'000
Fund commitments		
Commitments in respect of capital contribution to the investment fund	**10,531**	16,716

37. Disposal of subsidiaries

On 8 December 2022, the Company as vendor and Great Sharp International Limited ("**Great Sharp**") as purchaser entered into a portfolio sale agreement, pursuant to which the Company has agreed to sell and procure its relevant affiliates to sell the entire issued shares of Beyond Steady Limited and Wise United Holdings Limited (collectively as the "**Target Companies**") to Great Sharp at an aggregate consideration of US$9,676,861. Upon completion of the disposal, the Company ceased to hold any interests in the Target Companies and the financial results of the disposed companies will cease to be consolidated into the accounts of the Group. The disposal was fully completed on 20 December 2022. The consideration of US$9,676,861 (approximately HK$75,597,000) was settled on 20 December 2022.

Analysis of assets and liabilities over which control was lost in 2022:

	Beyond Steady Limited	Wise United Limited	Total
	HK$'000	HK$'000	HK$'000
Current assets			
Financial assets at fair value through profit or loss	44,999	–	44,999
Account receivables	70,939	–	70,939
Prepayments, deposits and other receivables	502	–	502
Total current assets	116,440	–	116,440
Net assets disposed of	116,440	–	116,440

37. Disposal of subsidiaries (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2023	2022
	HK$'000	HK$'000
Cash consideration received related to disposal of subsidiaries in 2022	**–**	75,597
Cash consideration received related to disposal of subsidiaries in 2021	**65,308**	98,066
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**65,308**	173,663

38. Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2023 and 31 December 2022.

39. Related party transactions

In addition to the transactions and balances disclosed elsewhere in this consolidated financial information, the Group had the following related party transactions during the year:

(a) Compensation of key management personnel of the Group:

The emoluments paid to the directors of the Company, who are the key management personnel of the Group, are included in note 8.

39. Related party transactions (continued)

(b) Save as disclosed below and elsewhere in these consolidated financial statements, the Group did not have any material transactions with related parties during the year ended 31 December 2023 and 31 December 2022.

Details as follow:

	2023 Rental expense HK$'000	2023 Fee and commission income on securities dealing and brokerage HK$'000	2023 Finance costs HK$'000	2022 Rental expense HK$'000	2022 Fee and commission income on securities dealing and brokerage HK$'000	2022 Finance costs HK$'000
Intermediate holding company (i)	**600**	**1,311**	**125,072**	–	–	202,040
Immediate holding company (ii)	**–**	**–**	**101,506**	–	–	101,576
Fellow subsidiary (iii)	**–**	**–**	**2,593**	–	–	2,791
Fellow subsidiaries (iv)	**–**	**2,499**	**–**	–	–	–
	600	**3,810**	**229,171**	–	–	306,407

(i) The Group had loans amounting to approximately US$280,115,000 (equivalent to approximately HK$2,189,279,000) (2022: US$280,115,000 (equivalent to approximately HK$2,183,984,000)) from its intermediate holding company for the operation of the Group's business. Please refer to note 31 for details of the loans and note 30 for the interest payable of the loans. As a result, finance cost of HK$125,072,000 (2022: HK$202,040,000) was resulted for the year ended 31 December 2023.

During the year, the Group accrued rental expense amounting to HK$600,000 (2022: nil) to its intermediate holding company. The expense is a result of office space rental for the Group's operation.

During the year, the Group earned fee and commission income on securities dealing and brokerage amounting to approximately HK$1,311,000 (2022: nil) from its intermediate holding company. The income is a result of service provided for consolidation of securities from external brokers to an external single account.

39. Related party transactions (continued)

(b) (continued)

(ii) During the year, the Group had loans amounting to approximately US$260,940,000 (equivalent to approximately HK$2,039,415,000) (2022: approximately US$260,940,000 (equivalent to approximately HK$2,034,482,000)) from its immediate holding company for the operation of the Group's business. Please refer to note 31 for details of the loans and note 30 for the interest payable of the loans. As a result, finance cost of HK$101,506,000 (2022: HK$101,576,000) was resulted for the year ended 31 December 2023.

(iii) During the year, the Group had a loan denominated in RMB of RMB50,000,000 (equivalent to approximately HK$55,174,000) (2022: RMB50,000,000 (equivalent to approximately HK$55,974,000)) from its fellow subsidiary, for the operation of the Group's business. Please refer to note 31 for details of the loans and note 30 for the interest payable of the loans. As a result, finance cost of HK$2,593,000 (2022: HK$2,791,000) was resulted for the year ended 31 December 2023.

(iv) During the year, the Group earned fee and commission income on securities dealing and brokerage amounting to approximately HK$2,499,000 (2022: nil) from two of its fellow subsidiaries. The income is a result of service provided for consolidation of securities from external brokers to an external single account.

The Group is indirectly controlled by CCFAMC. The MOF is the major shareholder of CCFAMC as at 31 December 2023. For the current year, in addition to those disclosed above, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

(c) Outstanding balances with related parties

Save as disclosed above and elsewhere in these consolidated financial statements, the Group did not have other material outstanding balances with related parties during the year ended 31 December 2023. Please refer to note 25 for the nature of amounts due from/(to) related parties.

40. Financial instruments by category

The carrying amounts of each of the categories of financial instruments at the end of the reporting periods are as follows:

31 December 2023

Financial assets

	Financial assets at FVTPL HK$'000	Financial assets at amortised cost HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
Other long term assets	–	1,043	–	1,043
Advances to customers in margin financing	–	11,431	–	11,431
Accounts receivable	–	243,646	–	243,646
Deposits and other receivables	–	24,254	–	24,254
Other loans and debt instruments	–	414,338	–	414,338
Amounts due from related parties	–	27,467	–	27,467
Financial assets at FVTPL	1,251,009	–	–	1,251,009
Financial assets at FVTOCI	–	–	133,838	133,838
Finance lease receivables	–	84,477	–	84,477
Restricted bank balances	–	95,828	–	95,828
Deposits in other financial institutions	–	13,527	–	13,527
Cash and deposits with banks	–	1,581,355	–	1,581,355
	1,251,009	2,497,366	133,838	3,882,213

40. Financial instruments by category (continued)

31 December 2023 (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	98,559	98,559
Other payables	162,439	162,439
Interest-bearing borrowings	5,103,868	5,103,868
Amounts due to related parties	80,141	80,141
Lease liabilities	812	812
Repurchase agreements	54,019	54,019
	5,499,838	5,499,838

40. Financial instruments by category (continued)

31 December 2022

Financial assets

	Financial assets at FVTPL HK$'000	Financial assets at amortised cost HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
Other long term assets	–	1,043	–	1,043
Advances to customers in margin financing	–	43,055	–	43,055
Accounts receivable	–	540,914	–	540,914
Deposits and other receivables	–	114,685	–	114,685
Other loans and debt instruments	–	493,695	–	493,695
Amounts due from related parties	–	16,005	–	16,005
Financial assets at FVTPL	1,744,448	–	–	1,744,448
Financial assets at FVTOCI	–	–	205,415	205,415
Finance lease receivables	–	376,565	–	376,565
Restricted bank balances	–	124,535	–	124,535
Deposits in other financial institutions	–	13,527	–	13,527
Cash and deposits with banks	–	1,986,641	–	1,986,641
	1,744,448	3,710,665	205,415	5,660,528

40. Financial instruments by category (continued)

31 December 2022 (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	125,625	125,625
Other payables	203,197	203,197
Interest-bearing borrowings	5,873,440	5,873,440
Amounts due to related parties	62,322	62,322
Lease liabilities	29,412	29,412
Repurchase agreements	107,331	107,331
	6,401,327	6,401,327

41. Fair value and fair value hierarchy of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

41. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

An analysis of the Group's financial assets measured at fair value as at 31 December 2023 are as follows:

	Fair value as at 31 December 2023 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/–	Increase/(decrease) in loss before tax by reasonable changes in significant inputs
Financial assets at FVTPL						
(1)	**Listed equity investments: HK$15,613**	Level 1	Note (a)	N/A	N/A	N/A
(2)	**Listed fixed income securities: HK$164,449**	Level 2	Note (b)	N/A	N/A	N/A
(3)	**Unlisted fund investments: HK$18,039**	Level 2	Note (c)	N/A	N/A	N/A
(4)	**Unlisted fund investments: HK$262,223**	Level 3	Note (d)	Net asset value	10% unit value	Increase/decrease in loss before tax of HK$26,222,000/ HK$(26,222,000)
(5)	**Unlisted fund investments: HK$512,552**	Level 3	Notes (d) and (e)	Net asset value	10% unit value	Increase/decrease in of HK$51,255,000/ HK$(51,255,000)
(6)	**Unlisted convertible bonds: HK$278,133**	Level 3	Note (f)	Discount rate	0.5% unit value	Increase/decrease loss before tax of HK$(2,549,000)/ HK$2,515,000
Financial assets at FVTOCI						
(7)	**Listed fixed income securities: HK$133,838**	Level 2	Note (b)	N/A	N/A	N/A

41. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

An analysis of the Group's financial assets measured at fair value as at 31 December 2022 are as follows:

	Fair value as at 31 December 2022 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/–	Increase/(decrease) in loss before tax reasonable changes in significant inputs
Financial assets at FVTPL						
(1)	Listed equity investments: HK$63,492	Level 1	Note (a)	N/A	N/A	N/A
(2)	Listed fixed income securities: HK$272,758	Level 2	Note (b)	N/A	N/A	N/A
(3)	Unlisted fund investments: HK$210,538	Level 2	Note (c)	N/A	N/A	N/A
(4)	Unlisted fund investments: HK$293,095	Level 3	Note (d)	Net asset value	10% unit value	Increase/decrease in loss before tax of HK$29,310,000/ HK$(29,310,000)
(5)	Unlisted fund investments: HK$509,914	Level 3	Notes (d) and (e)	Net asset value	10% unit value	Increase/decrease in of HK$50,991,000/ HK$(50,991,000)
(6)	Unlisted convertible bonds: HK$394,651	Level 3	Note (f)	Discount rate	0.5% unit value	Increase/decrease loss before tax of HK$(4,084,000)/ HK$4,149,000
Financial assets at FVTOCI						
(7)	Listed fixed income securities: HK$205,415	Level 2	Note (b)	N/A	N/A	N/A

41. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Notes:

(a) Quoted price in an active market.

(b) The fair value was determined with reference to quoted prices provided by brokers/financial institutions.

(c) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted prices of underlying investment portfolio in active markets.

(d) The fair value is determined with reference to the net asset value of the investment fund after taking into account the credit risk of underlying investments of the fund.

(e) The fair value is determined with reference to the net asset value of the unlisted equity investments after taking into account the credit risk of the underlying investments of the fund.

(f) The fair value is determined based on the probability-weighted scenario analysis. The key unobservable input is the discount rate.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate to their fair values.

41. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

31 December 2023

	Fair value measurement			
	(Level 1) HK$'000	**(Level 2) HK$'000**	**(Level 3) HK$'000**	**Total HK$'000**
Financial assets at FVTPL	**15,613**	**182,488**	**1,052,908**	**1,251,009**
Financial assets at FVTOCI	**–**	**133,838**	**–**	**133,838**
	15,613	**316,326**	**1,052,908**	**1,384,847**

31 December 2022

	Fair value measurement			
	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Financial assets at FVTPL	63,492	483,296	1,197,660	1,744,448
Financial assets at FVTOCI	–	205,415	–	205,415
	63,492	688,711	1,197,660	1,949,863

41. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Reconciliation of Level 3 fair value measurements

The movements in fair value measurements in Level 3 during the year are as follows:

	2023	2022
	HK$'000	HK$'000
Financial assets:		
At beginning of the year	**1,197,660**	1,543,687
Disposed of during the year	**–**	(257,824)
Total loss in profit or loss	**(144,752)**	(88,203)
At end of the year	**1,052,908**	1,197,660

During the year, the total loss for the year included in profit or loss was loss of HK$144,752,000 (2022: HK$88,203,000) which relates to financial assets at FVTPL. Fair value gains or losses on financial assets at FVTPL are included in "net loss on financial assets at fair value through profit or loss".

42. Financial risk management objectives and policies

The Group's principal financial instruments comprise financial assets at FVTOCI, other long term assets, financial assets at FVTPL, advances to customers in margin financing, other loans and debt instruments, finance lease receivables, accounts receivable, deposits and other receivables, restricted bank balances, cash and deposits with banks, deposits in other financial institutions, accounts payable, amount due from an associate, amounts due from related parties, interest-bearing borrowings, other payables, amounts due to related parties and repurchase agreements. Details of these financial instruments are disclosed in the respective notes.

The main risks arising from the Group's financial instruments are foreign currency risk, other price risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of an asset and liability denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group's foreign currency risk primarily arises from sales, purchases, loans and investments by operating entities in currencies other than the entities' functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Foreign currency	**2023**	2022
		HK$'000	HK$'000
Financial assets at FVTPL	US$	**815,178**	1,139,723
	AUD	**–**	2,046
Accounts receivable	US$	**237,179**	534,822
	AUD	**–**	5,932
Other receivables	US$	**23,094**	82,342
Financial assets at FVTOCI	US$	**133,838**	205,415
Restricted bank balances	US$	**814**	608
	RMB	**168**	173

42. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

	Foreign currency	2023 HK$'000	2022 HK$'000
Cash and deposits with banks	US$	**523,853**	968,199
	RMB	**5,518**	14,137
	EUR	**67**	132
	GBP	**56**	53
	JPY	**7**	7
Deposits in other financial institutions	US$	**3**	3
Accounts payable	US$	**(813)**	(8,367)
	RMB	**(168)**	(173)
Interest-bearing borrowings	US$	**(4,228,694)**	(4,218,466)
Other liabilities, payables and accruals	US$	**(41,370)**	(19,244)
Repurchase agreements	US$	**(54,019)**	(107,331)

42. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

As HK$ is pegged to US$, the Group does not expect any significant movement in the US$/HK$ exchange rate. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit after tax.

As at 31 December 2023

	Increase/decrease in loss after tax HK$'000
If HK$ strengthens/weakens against RMB by 5%	**276**

As at 31 December 2022

	Increase/decrease in loss after tax HK$'000
If HK$ strengthens/weakens against RMB by 5%	707

42. Financial risk management objectives and policies (continued)

Other price risk

The Group is exposed to other price changes arising from financial assets at fair value through profit or loss (see note 17) and financial assets at fair value through other comprehensive income (see note 18). The following table demonstrates the sensitivity to 5% (2022: 5%) increase/decrease in the relevant stock price and quoted price of listed investments and unlisted investments respectively, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

As at 31 December 2023

	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Financial assets at FVTPL:				
– Unlisted fund investments	increase/ decrease 5%	792,814	39,461/ (39,461)	–
– Listed equity investments	increase/ decrease 5%	15,613	781/ (781)	–
– Listed fixed income securities	increase/ decrease 5%	164,449	8,222/ (8,222)	–
– Unlisted fixed income securities	increase/ decrease 5%	278,133	13,907/ (13,907)	–
Financial assets at FVTOCI	increase/ decrease 5%	133,838	–	6,692/ (6,692)

42. Financial risk management objectives and policies (continued)

Other price risk (continued)

As at 31 December 2022

	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Financial assets at FVTPL:				
– Unlisted fund investments	increase/ decrease 5%	1,013,547	50,677/ (50,677)	–
– Listed equity investments	increase/ decrease 5%	63,492	3,175/ (3,175)	–
– Listed fixed income securities	increase/ decrease 5%	272,758	13,638/ (13,638)	–
– Unlisted fixed income securities	increase/ decrease 5%	394,651	19,733/ (19,733)	–
Financial assets at FVTOCI	increase/ decrease 5%	205,415	–	10,271/ (10,271)

42. Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to restricted bank balances, cash and deposits with banks, advances to customers in margin financing, certain accounts receivable and variable rate interest-bearing borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed rate financial assets at FVTPL, financial assets at FVTOCI, other loans and debt instruments, loans from an immediate holding company and an intermediate holding company, finance lease receivables and lease liabilities. The Group currently does not have an interest rate hedging policy. However, the Group closely manages its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

The Group prices these loans receivable strategically to reflect market fluctuations and achieve a reasonable interest-rate spread.

Cash flow interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Prime Rate and HIBOR arising from the Group's variable interest rate instruments. The directors of the Company consider the cash flow interest rate risks in relation to variable rate restricted bank balances, advances to customers in margin financing, certain accounts receivable and cash and deposits with banks are insignificant and are excluded from sensitivity analysis. As at 31 December 2023, if the interest rate had been 50 basis points (2022: 50 basis points) higher/lower, the Group's loss before tax would increase/ decrease by HK$4,032,000 (2022: loss before tax would increase/decrease by HK$7,927,000).

The sensitivity analysis above is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2022: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

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

Internal credit rating	Key description	ECL
Pass	Loans or receivables where borrowers or debtors are current in meeting commitments and full repayment of interest and principal is not in doubt.	12m ECL
Special Mention – low risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payments have been overdue for more than 30 days (Advances to customers in margin financing: for any margin shortfall where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk).	Lifetime ECL – not credit-impaired
Special Mention – high risk	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (Advances to customers in margin financing: for any margin shortfall where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk) and the management expects no substantial loss of principal or interest is possible after taking account of the "net realisable value" of security or in the case of unsecured or partially secured loans that there are executable settlement plans of the borrowers.	Lifetime ECL – credit-impaired
Substandard	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (Advances to customers in margin financing: for any margin shortfall where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk) and/or the management expects some loss of principal or interest is possible after taking account of the "net realisable value" of security or in the case of unsecured or partially secured loans that there are significant deficiencies of the borrowers.	Lifetime ECL – credit-impaired
Doubtful	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (Advances to customers in margin financing: for any margin shortfall where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk) and/or the management expects to sustain a loss of principal and/or interest after taking account of the "net realisable value" of security or in the case of unsecured or partially secured loans that there are serious deficiencies of the borrowers.	Lifetime ECL – credit-impaired
Loss	There is evidence indicating that the debtor is in severe financial prospect of recovery.	Amount is written off

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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

	Notes	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Financial assets at FVTOCI	18	Pass	12m ECL	**67,812**	124,951
		Special Mention – low risk	Lifetime ECL – not credit-impaired	**33,567**	33,236
		Substandard	Lifetime ECL – credit-impaired	**6,553**	7,251
		Doubtful	Lifetime ECL – credit-impaired	**25,906**	39,977
Financial assets at amortised cost					
Other long term assets	14	Pass	12m ECL	**1,043**	1,043
Finance lease receivables	19	Special Mention – high risk	Lifetime ECL – credit-impaired	**59,096**	310,812
		Substandard	Lifetime ECL – credit-impaired	**489,458**	703,102
		Doubtful	Lifetime ECL – credit-impaired	**48,258**	110,368
Other loans and debt instruments	20	Special Mention – low risk	Lifetime ECL – not credit impaired	**123,058**	153,118
		Special Mention – high risk	Lifetime ECL – credit-impaired	**389,216**	329,747
		Substandard	Lifetime ECL – credit-impaired	**613,929**	603,174
		Doubtful	Lifetime ECL – credit-impaired	**196,783**	196,783
Amount due from an associate	21	Doubtful	Lifetime ECL – credit-impaired	**307,129**	306,386
Advances to customers in margin financing	22	Pass	12m ECL	**11,019**	33,008
		Substandard	Lifetime ECL – credit-impaired	**92,327**	91,421
		Doubtful	Lifetime ECL – credit-impaired	**1,756**	1,854
Accounts receivable	23	Pass	12m ECL	**313,283**	538,104
		Doubtful	Lifetime ECL – credit impaired	**6,649**	136,099
Deposits and other receivables	24	Pass	12m ECL	**24,254**	114,685
Amounts due from related parties	25	Pass	12m ECL	**27,467**	16,005
Restricted bank balances	26	Pass	12m ECL	**95,828**	124,535
Deposits in other financial institutions	27	Pass	12m ECL	**13,527**	13,527
Cash and deposits with banks	28	Pass	12m ECL	**1,581,355**	1,986,641

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The estimated loss rates for each class of financial assets are estimated based on historical observed default rates over the expected life of the respective class of financial assets or observed market prices over the financial assets are adjusted for forward-looking information that is available without undue cost or effort, include macroeconomic data such as GDP growth, unemployment rates, the US debt-to-GDP ratio and inflation rate. The identification of internal credit rating for individual financial assets is regularly reviewed by management to ensure relevant information about specific financial assets is updated.

Analysis of the gross carrying amount of financial assets at FVTOCI is as follows:

	12m ECL HK$'000	**Lifetime ECL (not credit-impaired)** HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
Gross carrying amount as at 1 January 2022	195,145	73,172	149,409	417,726
New assets originated or purchased	–	–	92	92
Assets derecognised or repaid	–	(30,570)	(44,562)	(75,132)
Change of fair value	(52,585)	2,666	(64,961)	(114,880)
Transfer of stages	(17,609)	(12,032)	29,641	–
Changes arising from transfer of stages	–	–	(22,391)	(22,391)
Gross carrying amount as at 31 December 2022 and 1 January 2023	**124,951**	**33,236**	**47,228**	**205,415**
Assets derecognised or repaid	**–**	**–**	**(11,695)**	**(11,695)**
Change of fair value	**380**	**(2,693)**	**(9,627)**	**(11,940)**
Transfer of stages	**(57,519)**	**7,202**	**50,317**	**–**
Changes arising from transfer of stages	**–**	**(4,178)**	**(43,764)**	**(47,942)**
Gross carrying amount as at 31 December 2023	**67,812**	**33,567**	**32,459**	**133,838**

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Movements in the allowance for impairment that has been recognised for financial assets at FVTOCI are as follows:

	12m ECL HK$'000	**Lifetime ECL (not credit-impaired)** HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
ECL allowance as at 1 January 2022	371	16,189	393,251	409,811
New assets originated or purchased	–	–	99	99
Assets derecognised or repaid	–	(7,048)	(113,271)	(120,319)
Changes to risk parameters	238	1,532	93,682	95,452
Transfer of stages	(82)	(2,094)	2,176	–
Changes arising from transfer of stages	–	–	46,086	46,086
ECL allowance as at 31 December 2022 and 1 January 2023	**527**	**8,579**	**422,023**	**431,129**
Assets derecognised or repaid	**–**	**(2,557)**	**(236,826)**	**(239,383)**
Changes to risk parameters	**(45)**	**(3,702)**	**1,720**	**(2,702)**
Transfer of stages	**(469)**	**79**	**390**	**–**
Changes arising from transfer of stages	**–**	**271**	**83,869**	**84,140**
ECL allowance as at 31 December 2023	**13**	**2,670**	**271,176**	**273,859**

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Analysis of the gross carrying amount of other loans and debt instruments is as follows:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Gross carrying amount as at 1 January 2022	–	273,437	4,151,357	4,424,794
Assets derecognised or repaid	–	(140,000)	(2,532,842)	(2,672,842)
Interest income	–	19,681	91,828	111,509
Written off	–	–	(580,639)	(580,639)
Gross carrying amount as at 31 December 2022 and 1 January 2023	**–**	**153,118**	**1,129,704**	**1,282,822**
Assets derecognised or repaid	**–**	**(42,000)**	**–**	**(42,000)**
Interest income	**–**	**11,940**	**70,224**	**82,164**
Gross carrying amount as at 31 December 2023	**–**	**123,058**	**1,199,928**	**1,322,986**

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Movements in the loss allowance for impairment that has been recognised for other loans and debt instruments are as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
ECL allowance as at 1 January 2022	–	6	3,281,865	3,281,871
Written off	–	–	(580,639)	(580,639)
Assets derecognised or repaid	–	–	(2,248,202)	(2,248,202)
Changes to risk parameters	–	1	336,096	336,097
ECL allowance as at 31 December 2022 and 1 January 2023	**–**	**7**	**789,120**	**789,127**
Changes to risk parameters	**–**	**5,945**	**113,576**	**119,521**
ECL allowance as at 31 December 2023	**–**	**5,952**	**902,696**	**908,648**

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Analysis of the gross carrying amount of advances to customers in margin financing is as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
Gross carrying amount as at 1 January 2022	25,901	–	879,008	904,909
New assets originated or purchased	19,507	–	552	20,059
Asset derecognised or repaid	(13,765)	–	(789,077)	(802,842)
Interest income	2,559	–	1,598	4,157
Transfer of stages	(1,194)	–	1,194	–
Gross carrying amount as at 31 December 2022 and 1 January 2023	**33,008**	**–**	**93,275**	**126,283**
New assets originated or purchased	**1,905**	**–**	**–**	**1,905**
Asset derecognised or repaid	**(26,246)**	**–**	**(98)**	**(26,344)**
Interest income	**2,352**	**–**	**906**	**3,258**
Gross carrying amount as at 31 December 2023	**11,019**	**–**	**94,083**	**105,102**

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Movements in the allowances for impairment that has been recognised for advances to customers in margin financing are as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
ECL allowance as at 1 January 2022	89	–	861,082	861,171
New assets originated or purchased	19	–	552	571
Assets derecognised or repaid	–	–	(788,976)	(788,976)
Changes to risk parameters	(76)	–	9,347	9,271
Transfer of stages	(3)	–	3	–
Changes arising from transfer of stages	–	–	1,191	1,191
ECL allowance as at 31 December 2022 and 1 January 2023	**29**	**–**	**83,199**	**83,228**
Assets derecognised or repaid	**(9)**	**–**	**(98)**	**(107)**
Changes to risk parameters	**4**	**–**	**10,546**	**10,550**
ECL allowance as at 31 December 2023	**24**	**–**	**93,647**	**93,671**

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Analysis of the gross carrying amount of finance lease receivables is as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
Gross carrying amount as at 1 January 2022	40,425	–	1,270,560	1,310,985
Asset derecognised or repaid	(29,723)	–	(75,196)	(104,919)
Interest income	1,926	–	33,674	35,600
Written off	(3,668)	–	–	(3,668)
Transfer of stages	(4,511)	–	4,511	–
Foreign exchange adjustment	(4,449)	–	(109,267)	(113,716)
Gross carrying amount as at 31 December 2022 and 1 January 2023	**–**	**–**	**1,124,282**	**1,124,282**
Asset derecognised or repaid	**–**	**–**	**(294,867)**	**(294,867)**
Interest income	**–**	**–**	**51,232**	**51,232**
Written off	**–**	**–**	**(3,802)**	**(3,802)**
Disposal	**–**	**–**	**(266,954)**	**(266,954)**
Foreign exchange adjustment	**–**	**–**	**(13,079)**	**(13,079)**
Gross carrying amount as at 31 December 2023	**–**	**–**	**596,812**	**596,812**

42. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Movements in the allowance for impairment that has been recognised for finance lease receivables are as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
ECL allowance as at 1 January 2022	4,370	–	463,758	468,128
Changes to risk parameters	–	–	333,532	333,532
Written off	(3,668)	–	–	(3,668)
Transfer of stages	(702)	–	702	–
Changes arising from transfer of stages	–	–	3,988	3,988
Foreign exchange adjustment	–	–	(54,263)	(54,263)
ECL allowance as at 31 December 2022 and 1 January 2023	**–**	**–**	**747,717**	**747,717**
Changes to risk parameters	**–**	**–**	**91,690**	**91,690**
Written off	**–**	**–**	**(3,802)**	**(3,802)**
Assets derecognised or repaid	**–**	**–**	**(46,943)**	**(46,943)**
Disposal	**–**	**–**	**(266,954)**	**(266,954)**
Foreign exchange adjustment	**–**	**–**	**(9,373)**	**(9,373)**
ECL allowance as at 31 December 2023	**–**	**–**	**512,335**	**512,335**

Liquidity risk

Internally generated cash flows, interest-bearing borrowings are the general sources of funds to finance the operations of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements applying to various licenced activities. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

42. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 31 December 2023

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	**98,559**	**–**	**–**	**–**	**–**	**98,559**
Other payables and accruals	**–**	**158,935**	**–**	**3,504**	**–**	**162,439**
Interest-bearing borrowings	**820,000**	**–**	**1,500,319**	**1,290,855**	**1,492,694**	**5,103,868**
Lease Liabilities	**–**	**227**	**585**	**–**	**–**	**812**
Repurchase agreements	**–**	**54,019**	**–**	**–**	**–**	**54,019**

As at 31 December 2022

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	123,710	1,915	–	–	–	125,625
Other payables and accruals	–	199,693	–	3,504	–	203,197
Interest-bearing borrowings	1,599,000	–	–	2,785,356	1,489,084	5,873,440
Lease Liabilities	–	14,138	14,769	505	–	29,412
Repurchase agreements	–	107,331	–	–	–	107,331
	1,722,710	323,077	14,769	2,789,365	1,489,084	6,339,005

Note: Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2023, the aggregate carrying amounts of these bank loans amounted to HK$820,000,000 (2022: HK$1,599,000,000). While HK$620,000,000 has been repaid in February 2024, the directors do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment.

43. Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include the financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the Group's consolidated statement of financial position as the offsetting criteria are not met.

43. Financial assets and financial liabilities offsetting (continued)

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("**HKSCC**"), brokers and dealers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with its clients in the Group's brokerage business ("**Clients**") that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

Except for the balances which are due to be settled on the same date being offset, amounts due from/to Clients, HKSCC, brokers and dealers that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC, brokers and dealers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2023

	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$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Description					
Advances to customers in margin financing and accounts receivable	**251,116**	**(679)**	**250,437**	**(250,437)**	**–**

43. Financial assets and financial liabilities offsetting (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2023

	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$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Description					
Accounts payable	**(99,238)**	**679**	**(98,559)**	**–**	**(98,559)**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2022

	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$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Description					
Advances to customers in margin financing and accounts receivable	579,332	(1,296)	578,036	(578,036)	–

43. Financial assets and financial liabilities offsetting (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2022

	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$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Description					
Accounts payable	(126,478)	1,296	(125,182)	–	(125,182)

	2023 HK$'000	2022 HK$'000
Advances to customers in margin financing and accounts receivable		
Net amount of advances to customers in margin financing and accounts receivable as stated above	**250,437**	578,036
Amount not in the scope of offsetting disclosure	**4,640**	5,933
Total amount of advances to customers in margin financing and accounts receivable stated in notes 22 and 23	**255,077**	583,969
Accounts payable		
Net amount of accounts payable as stated above	**(98,559)**	(125,182)
Amount not in the scope of offsetting disclosure	**–**	(443)
Total amount of accounts payable stated in note 29	**(98,559)**	(125,625)

44. Transfer of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where the transfers qualify for derecognition, the transfer may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group retained substantially all the risks and rewards of the financial assets concerned after the transfer, the Group continued to recognise the transferred assets.

Financial assets sold under repurchase agreement

Transferred financial assets that do not qualify for derecognition include fixed income securities held by counterparties as collateral under repurchase agreements, and the Group has determined that if the Group retains substantially all the risks and rewards of these fixed income securities and therefore has not derecognised them.

Details of the carrying amount and fair value of transferred assets, and the assessment performed by the Group in respect of whether fixed income securities sold under repurchase agreements shall be derecognised are disclosed in note 32 to the consolidated financial statements.

45. Reconciliation of liabilities and related assets arising from financing activities

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Interest-bearing borrowings HK$'000	Interest payables HK$'000	Amounts due to related parties HK$'000
At 1 January 2022	88,028	8,413,706	70,963	56,034
Repayment	(60,037)	(2,540,266)	(401,180)	–
Additions	518	–	–	6,288
Termination of leases	(1,866)	–	–	–
Interest expenses	2,769	–	376,599	–
At 31 December 2022 and 1 January 2023	**29,412**	**5,873,440**	**46,382**	**62,322**
Repayment	**(28,988)**	**(769,572)**	**(326,455)**	**–**
Additions	**–**	**–**	**–**	**17,819**
Interest expenses	**388**	**–**	**326,911**	**–**
At 31 December 2023	**812**	**5,103,868**	**46,838**	**80,141**

During the year, the Group had non-cash transactions in right-of-use assets of HK$nil (2022: HK$11,130,000) and lease liabilities of HK$nil (2022: HK$1,348,000), in respect of lease arrangements for plant and equipment.

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 HK$'000	2022 HK$'000
Within financing activities	**(28,988)**	(60,037)

46. Statement of financial position and reserves of the company

	2023	2022
	HK$'000	HK$'000
Non-current assets		
Property and equipment	**1,495**	2,431
Right-of-use assets	**194**	477
Investments in subsidiaries	**–**	26,145
Financial assets at fair value through profit or loss	**122,623**	217,175
Financial assets at fair value through other comprehensive income	**21,286**	158,251
Total non-current assets	**145,598**	404,479
Current assets		
Accounts receivable	**236,855**	534,499
Prepayments, deposits and other receivables	**9,708**	13,858
Financial assets at fair value through profit or loss	**17,100**	55,583
Financial assets at fair value through other comprehensive income	**112,552**	47,164
Amounts due from related parties	**2,795,705**	1,889,279
Cash and cash equivalents	**552,057**	891,467
Total current assets	**3,723,977**	3,431,850
Current liabilities		
Amounts due to related parties	**2,608,817**	944,724
Other liabilities, payables and accruals	**95,225**	95,143
Repurchase agreements	**54,019**	107,331
Interest-bearing borrowings	**1,067,034**	1,599,000
Lease liabilities	**526**	294
Total current liabilities	**3,825,621**	2,746,492
Net current (liabilities)/assets	**(101,644)**	685,358
Total assets less current liabilities	**43,954**	1,089,837

46. Statement of financial position and reserves of the company (continued)

	2023 HK$'000	2022 HK$'000
Non-current liabilities		
Other liabilities, payables and accruals	**993**	993
Interest-bearing borrowings	**1,942,245**	2,183,984
Lease liabilities	**–**	526
	1,943,238	2,185,503
Net liabilities	**1,899,284**	(1,095,666)
Equity		
Issued capital	**8,710**	8,710
Perpetual capital securities classified as equity instruments	**6,241,635**	6,242,484
Reserves	**(8,149,629)**	(7,346,860)
Total equity	**(1,899,284)**	(1,095,666)

46. Statement of financial position and reserves of the company (continued)

Movements in the Company's reserves

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	FVTOCI investment revaluation reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Perpetual capital securities HK$'000	Total HK$'000
At 1 January 2022	2,933,144	139,615	33,216	(84,352)	(4,208,681)	(1,187,058)	2,755,781	1,568,723
Loss for the year	–	–	–	–	(6,195,591)	(6,195,591)	219,423	(5,976,168)
Fair value loss on financial assets at FVTOCI	–	–	–	(89,341)	–	(89,341)	–	(89,341)
Net provision for impairment of financial assets at FVTOCI included in profit or loss	–	–	–	141,637	–	141,637	–	141,637
Reclassification adjustment relating to disposal of financial assets at FVTOCI	–	–	–	(16,507)	–	(16,507)	–	(16,507)
Total comprehensive loss for the year	–	–	–	35,789	(6,195,591)	(6,159,802)	219,423	(5,940,379)
New perpetual capital securities issued during the year	–	–	–	–	–	–	3,846,715	3,846,715
Redemption of perpetual capital securities during the year	–	–	–	–	–	–	(420,969)	(420,969)
Distribution relating to perpetual capital securities	–	–	–	–	–	–	(158,466)	(158,466)
At 31 December 2022 and 1 January 2023	**2,933,144**	**139,615**	**33,216**	**(48,563)**	**(10,404,272)**	**(7,346,860)**	**6,242,484**	**(1,104,376)**
Loss for the year	**-**	**-**	**-**	**-**	**(838,656)**	**(838,656)**	**400,498**	**(438,158)**
Fair value loss on financial assets at FVTOCI	**-**	**-**	**-**	**(44,171)**	**-**	**(44,171)**	**-**	**(44,171)**
Net provision for impairment of financial assets at FVTOCI included in profit or loss	**-**	**-**	**-**	**82,113**	**-**	**82,113**	**-**	**82,113**
Reclassification adjustment relating to disposal of financial assets at FVTOCI	**-**	**-**	**-**	**(2,055)**	**-**	**(2,055)**	**-**	**(2,055)**
Total comprehensive loss for the year	**-**	**-**	**-**	**35,887**	**(838,656)**	**(802,769)**	**400,498**	**(402,271)**
Distribution relating to perpetual capital securities	**-**	**-**	**-**	**-**	**-**	**-**	**(401,347)**	**(401,347)**
At 31 December 2023	**2,933,144**	**139,615**	**33,216**	**(12,676)**	**(11,242,928)**	**(8,149,629)**	**6,241,635**	**(1,907,994)**

Note:

(i) Pursuant to the Bermuda Companies Act 1981, a company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

47. Deed of undertaking to a fund

A subsidiary of the Company ("**subsidiary X**") acted as the general partner for a fund ("**the Fund**") set up in 2016. Third party A acting as the sole limited partner invested HK$950 million into the Fund. Third party B and another subsidiary of the Company ("**subsidiary Y**") both acted as fund managers. Third parties A and B are related parties to each other. Subject to the terms of the limited partnership agreement, if the investment return was greater than or equal to 6% per annum, third party A would be entitled to receive a return of 6% per annum from the Fund's assets. Third party B would be entitled to receive management fee of 0.5% per annum of the capital commitment of the limited partner. If the investment return was greater than 6% per annum, the excess would be received by subsidiary Y as performance fee. Subsidiary Y would also be entitled to receive a management fee of 1% per annum of the capital commitment of the limited partner. The business substance of the Fund was for third party A to lend money to third party C.

Subsidiary Y signed a deed of undertaking to the Fund in 2016. The Company also issued a comfort letter to third party A. Subsidiary Y undertook to the Fund to use all feasible endeavours to facilitate the Fund's performance of its obligations. Subsidiary Y also undertook to the Fund to serve as liquidity provider. It is considered that the comfort letter and the deed of undertaking do not constitute guarantee obligations of the Company, subsidiary X and subsidiary Y.

On 22 December 2022, third party A commenced legal proceedings in the courts of both Hong Kong and the Cayman Islands. In both sets of proceedings, third party A seeks payment of unquantified sums which it alleges are due and unpaid under the limited partnership agreement entered into between third party A and subsidiary X. Third party A also claims unquantified damages for alleged breaches of fiduciary, contractual and/or statutory duties by subsidiary X and subsidiary Y. Further, third party A alleges breaches of the comfort letter and the deed of undertaking signed by the Company and subsidiary Y respectively. Based on currently available information, the Company's board of directors considers that the claims will have no material impact on the Group's normal business and operation as at the date of this report.

48. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial periods, as extracted from the published audited consolidated financial statements. The Group has applied the merger accounting method in the preparation of financial statements for the combination with an entity under common control in 2020.

Results

	1.1.2023 to 31.12.2023 HK$'000	1.1.2022 to 31.12.2022 HK$'000	1.1.2021 to 31.12.2021 HK$'000	1.1.2020 to 31.12.2020 HK$'000	1.1.2019 to 31.12.2019 HK$'000
Turnover:					
Continuing operations	**202,143**	276,630	486,592	841,008	2,178,379
Discontinued operations	**–**	–	–	–	643,266
	202,143	276,630	486,592	841,008	2,821,645
(Loss)/profit before tax:					
Continuing operations	**(566,653)**	(2,254,487)	(1,549,522)	(2,664,165)	(2,955,006)
Discontinued operations	**–**	–	–	–	277,037
	(566,653)	(2,254,487)	(1,549,522)	(2,664,165)	(2,677,969)
Income tax (expense)/credit	**(140)**	26,461	(52,770)	(22,075)	(8,824)
Loss for the year	**(566,793)**	(2,228,026)	(1,602,292)	(2,686,240)	(2,686,793)
Attributable to:					
Equity holders of the company	**(967,291)**	(2,500,007)	(1,823,044)	(2,786,174)	(2,330,839)
Holder of perpetual securities	**400,498**	219,423	157,324	111,403	66,025
Non-controlling interests	**–**	52,558	63,428	(11,469)	(421,979)
	(566,793)	(2,228,026)	(1,602,292)	(2,686,240)	(2,686,793)

Assets and Liabilities

	31.12.2023 **HK$'000**	31.12.2022 HK$'000	31.12.2021 HK$'000	31.12.2020 HK$'000	31.12.2019 HK$'000
Non-current assets	**1,311,801**	1,202,706	2,542,653	5,394,640	5,461,010
Current assets	**2,606,465**	4,529,248	6,662,578	9,600,564	17,472,486
Total assets	**3,918,266**	5,731,954	9,205,231	14,995,204	22,933,496
Current liabilities	**(2,787,867)**	(2,186,387)	(3,742,503)	(6,762,143)	(11,004,288)
Non-current liabilities	**(2,787,053)**	(4,278,449)	(5,958,722)	(6,851,885)	(9,317,740)
Total liabilities	**(5,574,920)**	(6,464,836)	(9,701,225)	(13,614,028)	(20,322,028)
	(1,656,654)	(732,882)	(495,994)	1,381,176	2,611,468

DEFINITIONS

"AGM"	annual general meeting of the Company
"Audit Committee"	the audit committee under the Board
"Board"	board of Directors of the Company
"Bye-laws"	the memorandum of association and bye-laws of the Company
"Camellia Pacific"	Camellia Pacific Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China CITIC Financial AMC and which directly held 21.01% equity interest in the Company as at the date of this annual report
"CHIH"	China Huarong International Holdings Limited, a company with limited liability incorporated in Hong Kong and a controlling shareholder (as defined in the Listing Rules) of the Company
"China" or "Mainland China" or "PRC"	People's Republic of China
"China CITIC Financial AMC" or "CCFAMC"	China CITIC Financial Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Co., Ltd.), a joint stock limited liability company incorporated in the PRC, the issued overseas listed foreign shares of which are listed on the Stock Exchange (stock code: 2799), and a controlling shareholder (as defined in the Listing Rules) of the Company
"Company" or "HRIF"	Huarong International Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 993)
"CG Code"	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Deloitte"	Deloitte Touche Tohmatsu
"Director(s)"	director(s) of the Company
"Executive Committee"	the executive committee under the Board
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries

"HRIS"	Huarong International Securities Limited (formerly known as United Simsen Securities Limited), an indirectly wholly-owned subsidiary of the Company, a licensed corporation under the SFO to carry out Types 1, 2, 4 regulated activities
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of PRC
"HRIV"	Huarong Investment Stock Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company upon completion of the Privatization of HRIV
"Last Year"	for the year ended 31 December 2022
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, modified or otherwise supplemented from time to time)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"MOF"	Ministry of Finance
"Nomination Committee"	the nomination committee under the Board
"Privatization of HRIV"	the privatization of HRIV by the Company by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands, which became effective on 10 November 2020 (Cayman Islands time)
"Remuneration Committee"	the remuneration committee under the Board
"Right Select"	Right Select International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China CITIC Financial AMC and which directly held 29.98% equity interest in the Company as at the date of this annual report

"Risk Management Committee"	the risk management committee under the Board
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"Sustainable Development Committee"	the sustainable development committee under the Board
"US$"	United States dollar, the lawful currency of the United States
"Year"	for the year ended 31 December 2023, being the financial reporting period of this annual report
"%"	per cent.

華融國際金融控股有限公司
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED