Non-Collateralised Structured Products

issued by

海通國際
HAITONG

Haitong International Securities Company Limited

("Issuer")

(incorporated with limited liability in Hong Kong)

Announcement for Publication of Annual Financial Statements

The Issuer has released its financial statements for the year ended 31 December 2023 ("**Annual Financial Statements**") on 30 April 2024. Copies of the Annual Financial Statements and the independent auditor's report on such financial statements are included at the end of this announcement. References to page numbers in the Annual Financial Statements are to pages therein and not to pages in this announcement.

This announcement, which includes the Annual Financial Statements and the independent auditor's report on such financial statements, is also available on our website at www.htiwarrants.com/en/announcement/cbbc.

Haitong International Securities Company Limited
30 April 2024

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

Reports and Financial Statements
For the year ended 31 December 2023

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

DIRECTORS' REPORT

The board of directors (the "Board") presents their annual report and the audited financial statements for the year ended 31 December 2023 of Haitong International Securities Company Limited (the "Company").

As the Company is a wholly owned subsidiary of another body corporate in the financial year, the directors have chosen to take the exemption set out in section 388(3) of the Hong Kong Companies Ordinance (Cap.622) from presenting a business review within the directors' report.

PRINCIPAL ACTIVITIES

During the year ended 31 December 2023, the Company was involved in securities brokerage and dealing, investment holding, the provision of securities margin financing, placing and underwriting services and other consultancy and advisory services.

The Company is licensed under the Securities and Futures Commission to conduct the regulated activities on dealing in securities and advising on securities during the year ended 31 December 2023.

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2023 and the financial position at that date are set out in the financial statements on pages 9 to 10.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company during the year ended 31 December 2023 are set out in the note 22 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2023 are set out in the statement of changes in equity on page 11.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 29 to the financial statements. There was no movement in the share capital of the Company during the year ended 31 December 2023.

DIRECTORS

The directors of the Company during the year ended 31 December 2023 and up to the date of this report were:

POON Mo Yiu	(resigned on 2 June 2023)
SHI Ping	
ZHOU Hongliang	
WANG Zihao	(appointed on 2 June 2023)

In accordance with the article 25 of the articles of association of the Company, the directors hold office for an unlimited period of time and shall not be subject to retirement from office at any general meeting.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that each director of the Company may be entitled to be indemnified out of the assets of the Company against all losses or liabilities, which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. Appropriate directors and officers liability insurance is maintained by Haitong International Securities Group Limited ("Haitong International Securities"), its immediate holding company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts to which the Company or any of its holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2023 or at any time during the year ended 31 December 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the employee share option schemes of Haitong International Securities, pursuant to which certain share options have been granted to certain directors to subscribe for shares in Haitong International Securities (the "Share Options").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES - continued

Movements of the Share Options during the year ended 31 December 2023 were as follows:

Name of Directors	At 1 January 2023	Granted during the year	Adjusted during the year (Note 2)	Exercised during the year	Lapsed during the year (Note 1)	At 31 December 2023	Date of grant of share options*	Exercise period of share option	Exercise price of share options ** HK$ per share	Price of Haitong International Securities' shares immediately preceding the grant date of share options*** HK$ per share
POON Mo Yiu (resigned on 2 June 2023)	771,764	-	6,134	-	777,898	-	1 November 2018	28 May 2019 - 31 October 2023	2.614 (Note 2)	2.56
	385,883	-	3,067	-	388,950	-	31 May 2019	27 December 2019 – 30 May 2024	2.304 (Note 2)	2.39
	385,000	-	3,061	-	388,061	-	29 May 2020	25 December 2020 - 28 May 2025	1.558 (Note 2)	1.55
	440,000	-	3,498	-	443,498	-	21 July 2021	17 February 2022 – 20 July 2026	2.163 (Note 2)	2.16
	400,000	-	3,180	-	403,180	-	6 September 2022	3 April 2023 – 5 September 2027	0.928 (Note 2)	0.85
SHI Ping	882,016	-	7,011	-	(889,027)	-	1 November 2018	28 May 2019 - 31 October 2023	2.614 (Note 2)	2.56
	441,008	-	3,505	-	-	444,513	31 May 2019	27 December 2019 – 30 May 2024	2.304 (Note 2)	2.39
	220,000	-	1,749	-	-	221,749	29 May 2020	25 December 2020 - 28 May 2025	1.558 (Note 2)	1.55
	220,000	-	1,749	-	-	221,749	21 July 2021	17 February 2022 – 20 July 2026	2.163 (Note 2)	2.16
	200,000	-	1,590	-	-	201,590	6 September 2022	3 April 2023 – 5 September 2027	0.928 (Note 2)	0.85
ZHOU Hongliang	65,000	-	517	(100)	-	65,417	6 September 2022	3 April 2023 – 5 September 2027	0.928 (Note 2)	0.85
WANG Zihao (appointed on 2 June 2023)	385,882	-	3,068	-	388,950	-	1 November 2018	28 May 2019 - 31 October 2023	2.614 (Note 2)	2.56
	220,504	-	1,752	-	-	222,256	31 May 2019	27 December 2019 – 30 May 2024	2.304 (Note 2)	2.39
	-	-	-	-	-	-	29 May 2020	25 December 2020 - 28 May 2025	1.558 (Note 2)	1.55
	110,000	-	875	-	-	110,875	21 July 2021	17 February 2022 – 20 July 2026	2.163 (Note 2)	2.16
	160,000	-	1,272	-	-	161,272	6 September 2022	3 April 2023 – 5 September 2027	0.928 (Note 2)	0.85

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options referred to above are subject to a 6-month vesting period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Haitong International Securities' share capital.

*** The price of Haitong International Securities shares disclosed at immediately preceding the grant date of the share options is The Stock Exchange of Hong Kong Limited closing price on the trading day immediately prior to the date of the grant of the share options.

Notes:

1. These share options were lapsed during the year ended 31 December 2023 as a result of expiry of exercise period.
2. The exercise price and the number of share options were adjusted with effect from 23 June 2023 consequent to the completion of right shares on the same day.

AUDITOR

The financial statements for the year ended 31 December 2023 of the Company have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Shi Ping
Chairman of the Board

30 April 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司
(incorporated in Hong Kong with limited liability)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Haitong International Securities Company Limited (the "Company") set out on pages 9 to 70, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information .

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its 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 (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to Practice Note 820 (Revised) "The Audit of Licensed Corporations and Associated Entities of Intermediaries" issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

Report on the Audit of the Financial Statements - continued

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Directors and Those Charged with Governance for the Financial Statements

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

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

In addition, the directors are required to ensure that the financial statements are in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED - continued
海通國際證券有限公司
(incorporated in Hong Kong with limited liability)

Report on the Audit of the Financial Statements - continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 solely to you, in accordance with section 405 of the Hong Kong Companies Ordinance and section 156(1)(b) of the Securities and Futures Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, we are required to obtain reasonable assurance about whether the financial statements are in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED - continued
海通國際證券有限公司
(incorporated in Hong Kong with limited liability)

Report on the Audit of the Financial Statements - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- 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 Company'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 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 Company to cease to continue as a going concern.

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

We communicate with those charged with governance 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.

Report on matters under the Securities and Futures (Keeping of Records) Rules and Securities and Futures (Accounts and Audit) Rules of the Securities and Futures Ordinance

In our opinion, the financial statements are in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 April 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 HK$	2022 HK$
Revenue			
Commission and fee income	5	609,407,141	960,569,335
Interest income	5	892,111,562	826,271,460
Net trading and investment income	5	84,824,318	87,391,304
		1,586,343,021	1,874,232,099
Other income and gains or losses		20,607,806	(56,437,135)
		1,606,950,827	1,817,794,964
Staff costs	9	(255,858,365)	(370,484,664)
Commission expenses		(37,859,777)	(35,005,268)
Depreciation		(5,427,627)	(5,762,580)
Management and service fees to the immediate holding company and fellow subsidiaries	31	(690,884,313)	(575,914,168)
Operating expenses		(457,129,654)	(644,539,701)
		(1,447,159,736)	(1,631,706,381)
Finance costs	8	(370,590,772)	(202,234,156)
Loss before impairment charges and tax		(210,799,681)	(16,145,573)
Impairment charges, net of reversal	7	(1,286,476,904)	(488,081,842)
Loss before tax	6	(1,497,276,585)	(504,227,415)
Income tax credit	11	3,744,780	33,081,563
Loss for the year		(1,493,531,805)	(471,145,852)
Other comprehensive expenses:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign Operations		4,205,373	22,171,857
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on:			
- investments in equity instruments at fair value through other comprehensive income		(71,781,077)	(499,225)
Other comprehensive (expense) income for the year		(67,575,704)	21,672,632
Loss and total comprehensive expense for the year		(1,561,107,509)	(449,473,220)

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	NOTES	2023 Current HK$	2023 Non-current HK$	2023 Total HK$	2022 Current HK$	2022 Non-current HK$	2022 Total HK$
ASSETS							
Assets							
Cash and cash equivalents	12	2,590,248,286	-	2,590,248,286	1,053,860,308	-	1,053,860,308
Cash held on behalf of customers	13	6,674,705,035	-	6,674,705,035	8,901,302,287	-	8,901,302,287
Financial assets held for trading and market making activities	14	594,481,789	-	594,481,789	279,139,873	-	279,139,873
Advances to customers in margin financing	16	7,202,605,959	-	7,202,605,959	11,353,468,236	-	11,353,468,236
Cash collateral on securities borrowed and reverse repurchase agreements	17	3,195,673,344	-	3,195,673,344	1,051,917,460	-	1,051,917,460
Accounts receivable	18	2,296,791,176	-	2,296,791,176	2,522,592,040	-	2,522,592,040
Investment securities	19	319,064,506	92,095,105	411,159,611	495,768,609	30,377,250	526,145,859
Intangible assets	20	-	6,054,345	6,054,345	-	6,054,345	6,054,345
Other assets	21	-	111,056,760	111,056,760	-	209,290,908	209,290,908
Property and equipment	22	-	3,305,597	3,305,597	-	8,733,224	8,733,224
Amounts due from fellow subsidiaries	26	61,484,099	-	61,484,099	105,887,330	-	105,887,330
Amount due from the immediate holding company	26	5,393,609,356	-	5,393,609,356	5,924,500,747	-	5,924,500,747
Prepayments, deposits and other receivables		103,345,603	-	103,345,603	135,377,719	-	135,377,719
Deferred tax assets		-	41,933,231	41,933,231	-	41,933,231	41,933,231
Tax recoverable		56,909,541	-	56,909,541	-	-	-
Total assets		28,488,918,694	254,445,038	28,743,363,732	31,823,814,609	296,388,958	32,120,203,567
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities held for trading and market making activities	23	163,124,698	-	163,124,698	86,804,917	-	86,804,917
Derivative financial instruments	15	114,617	-	114,617	86,193	-	86,193
Cash collateral on securities lent and repurchase agreements	24	6,854,894,995	-	6,854,894,995	6,108,082,724	-	6,108,082,724
Accounts payable	25	8,076,747,214	-	8,076,747,214	10,531,399,958	-	10,531,399,958
Amounts due to fellow subsidiaries	26	60,879,003	-	60,879,003	38,766,536	-	38,766,536
Bank borrowings	27	-	-	-	184,629,720	-	184,629,720
Subordinated loans	28	3,400,000,000	-	3,400,000,000	3,400,000,000	-	3,400,000,000
Other payables, accruals and other liabilities	30	53,897,850	602,256	54,500,106	23,392,995	1,497,076	24,890,071
Tax payable		823,922	-	823,922	52,156,762	-	52,156,762
Total liabilities		18,610,482,299	602,256	18,611,084,555	20,425,319,805	1,497,076	20,426,816,881
Equity							
Share capital	29			11,500,000,000			11,500,000,000
Reserves				(1,367,720,823)			193,386,686
Total equity				10,132,279,177			11,693,386,686
Total liabilities and equity				28,743,363,732			32,120,203,567

The associated financial statements on pages 9 to 70 were approved and authorised for issue by the board of directors on 30 April 2024 and are signed on its behalf by:

SHI Ping

DIRECTOR

WANG Zihao

DIRECTOR

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital HK$	Contribution reserve HK$	Retained earnings HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Total HK$
At 1 January 2022	11,500,000,000	348,497,823	302,476,939	(8,114,856)	-	12,142,859,906
Loss for the year	-	-	(471,145,852)	-	-	(471,145,852)
Other comprehensive expense for the year	-	-	-	22,171,857	(499,225)	21,672,632
At 31 December 2022	11,500,000,000	348,497,823	(168,668,913)	14,057,001	(499,225)	11,693,386,686
Loss for the year	-	-	(1,493,531,805)	-	-	(1,493,531,805)
Other comprehensive expense for the year	-	-	-	4,205,373	(71,781,077)	(67,575,704)
Total comprehensive expense	-	-	(1,493,531,805)	4,205,373	(71,781,077)	(1,561,107,509)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	3,854,150	-	(3,854,150)	-
At 31 December 2023	11,500,000,000	348,497,823	(1,658,346,568)	18,262,374	(75,635,227)	10,132,279,177

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK$	2022 HK$
OPERATING ACTIVITIES		
Loss before tax	(1,497,276,585)	(504,227,415)
Adjustments for:		
Interest expenses	370,590,772	202,234,156
Dividend income	(636,809)	(6,306,217)
Depreciation	5,427,627	5,762,580
Impairment charges, net of reversal	1,286,476,904	488,081,842
Interest income	(892,111,562)	(826,271,460)
Operating cash flows before movements in working capital	(727,529,653)	(640,726,514)
Decrease (increase) in other assets	98,234,148	(27,965,650)
Decrease in accounts receivable	198,803,269	373,663,782
Decrease (increase) in advances to customers in margin financing	2,889,219,157	(2,609,241,998)
Decrease in prepayments, deposits and other receivables	34,536	458,111
(Increase) decrease in financial assets held for trading and market making activities	(315,341,916)	330,609,480
Decrease (increase) in investment securities	43,205,171	(526,267,804)
Increase (decrease) in financial liabilities held for trading and market making activities	76,319,781	(44,306,087)
Increase (decrease) in derivative financial instruments	28,424	(269,137,709)
(Increase) decrease in cash collateral on securities borrowed and reverse repurchase agreements	(2,141,690,848)	998,845,877
Increase in cash collateral on securities lent and repurchase agreements	746,812,271	3,151,821,245
Decrease in cash held on behalf of customers	2,226,693,143	5,460,960,630
Decrease in accounts payable	(2,454,652,744)	(5,957,395,946)
Increase in other payables and accruals	3,148,947	8,711,617
Cash generated from operations	643,283,686	250,029,034
Dividend received	636,809	6,306,217
Interest paid	(337,494,990)	(184,956,166)
Interest received	924,109,142	714,507,175
Tax (paid) refunded	(102,321,453)	18,665,548
NET CASH FROM OPERATING ACTIVITIES	1,128,213,194	804,551,808
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	-	232,572
Purchase of property and equipment	-	(41,749)
Decrease (increase) in amount due from the immediate holding company	530,891,391	(68,067,625)
Decrease in amounts due from fellow subsidiaries	44,403,231	1,602,906
NET CASH FROM (USED IN) INVESTING ACTIVITIES	575,294,622	(66,273,896)

	2023 HK$	2022 HK$
FINANCING ACTIVITIES		
Net repayment drawdown of bank loans	(184,629,720)	106,339,928
Repayment of lease liabilities	(4,602,585)	(5,527,124)
Increase (decrease) in amounts due to fellow subsidiaries	22,112,467	(1,131,599,488)
NET CASH USED IN FINANCING ACTIVITIES	(167,119,838)	(1,030,786,684)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,536,387,978	(292,508,772)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,053,860,308	1,346,369,080
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,590,248,286	1,053,860,308
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,590,248,286	1,053,860,308

Note: For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

Disclosure in relation to the changes in liabilities arising from financing activities are detailed in note 36 to the financial statements.

1. GENERAL

Haitong International Securities Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

During the year ended 31 December 2023, the Company was involved in securities brokerage and dealing, investment holding, the provision of securities margin financing, placing and underwriting services and other consultancy and advisory services.

The Company is licensed under the Securities and Futures Commission to conduct the regulated activities on dealing in securities and advising on securities during the year ended 31 December 2023.

In the opinion of the Board of the Company, the immediate holding company of the Company is Haitong International Securities Group Limited, which is incorporated in Bermuda, and the ultimate holding company of the Company is Haitong Securities Co., Ltd., which is incorporated in the People's Republic of China ("PRC") and listed in both the PRC and Hong Kong.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES TO ACCOUNTING POLICIES

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Company's annual periods beginning on or after 1 January 2023 for the preparation of the financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except for the below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES TO ACCOUNTING POLICIES - continued

New and Amendments to HKFRSs that are mandatorily effective for the current year - continued

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Company has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Company's financial positions and performance but has affected the disclosure of the Company's accounting policies set out in Note 3 to the financial statements.

Amendments to HKFRS in issued but not yet effective

The Company has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES TO ACCOUNTING POLICIES - continued

Amendments to HKFRS in issued but not yet effective - continued

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

- Based on the Company's outstanding liabilities as at 31 December 2023, including bank borrowings and debt securities in issue, and the related terms and conditions stipulated in the agreements between the Company and the relevant lenders, the application of the amendments will not result in reclassification of the Company's liabilities.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users of the financial statements.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases" ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information

Revenue from contracts with customers

The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

Description of the Company's performance obligation of main source of income under the scope of HKFRS 15 are as follows:

(1) Brokerage

The Company provides broking and dealing services for securities, futures and options contracts, and also distribution of over-the-counter products such as investment funds. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. The Company provides custodian and handling services for securities, futures, options and other types of products. Fee income is recognised when the transaction is executed and service is completed, except for custodian service fee which is recognised over time.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Revenue from contracts with customers - continued

(2) Corporate finance

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

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

Variable consideration

For contracts that contain variable consideration, such as performance and incentive fee income, the Company estimates the amount of consideration to which it will be entitled using the most likely amount.

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Leases

Definition of 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. For contracts entered into or modified or arising from business combinations, the Company assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Company as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Leases - continued

The Company as a lessee - continued

Right-of-use assets - continued

Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company presents right-of-use assets in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. Accounting policies for financial instruments are detailed below.

Lease liabilities

At the commencement date of a lease, the Company recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease liabilities recognised are included in "Other payable, accruals, and other liabilities".

The lease payments relevant to the Company include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Leases - continued

The Company as a lessee - continued

Lease modifications

The Company accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Company remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Property and equipment (including leasehold land and building)

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Property and equipment are depreciated when they are available for use. They are depreciated at rates sufficient to write off their costs net of expected residual values over their estimated useful lives on a straight-line basis. The residual values and useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives of major categories of fixed assets are as follows:

Leasehold land and buildings	Over the shorter of the lease terms and 2.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and equipment	20%
Computer and equipment	30%

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Property and equipment (including leasehold land and building) - continued

Ownership interests in leasehold land and building

When the Company makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

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

Derecognition of intangible assets

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Hong Kong Dollar, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Translation differences on non-monetary financial assets that are classified as financial assets measured at fair value through profit or loss ("FVTPL") are reported as part of the fair value gain or loss.

Employee benefits

Pension scheme

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and recognised as expenses when employees have rendered services entitling them to the contributions.

The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Company's employer voluntary contributions, which are refunded to the Company when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. The refunded contribution is recognised in the statement of profit or loss to offset the current year contribution made.

Paid leave carried forward

The Company provides paid annual leave to its employees under their employment contracts on a calendar year basis. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Employee benefits - continued

Bonus and incentive plans

The Company recognises a liability and an expense for bonuses and incentives, where appropriate, based on approved formulas that take into consideration the profit attributable to the Company after certain adjustments as necessary. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Taxation - continued

Current/deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when they relate to income taxes levied to the same taxation entity by the same taxation authority.

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

Impairment on non-financial assets

At the end of the reporting period, the Company reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (i.e., the higher of an asset's fair value less costs of disposal and value-in-use). The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Impairment on non-financial assets - continued

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

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

Financial instruments

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that upon initial recognition of an equity instrument that the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income.

A financial asset is held for trading if:

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Effective interest method is used for those financial assets measured at amortised cost and debt instruments measured at FVTPL. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial asset but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

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

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss include any dividend and interest income on the financial assets.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Company performs impairment assessment under expected credit loss ("ECL") model on financial assets (including advances to customers in margin financing, amounts due from related companies, cash collateral on securities borrowed and reverse repurchase agreements, accounts receivable, deposits and other receivables, cash and cash equivalents, cash held on behalf of customers), which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

For all other instruments, the Company applies the general approach to measure ECL for all financial assets which are subject to impairment under HKFRS 9. On this basis, the Company measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Company recognises lifetime ECL.

(i) Significant increase in credit risk

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 - continued

(i) Significant increase in credit risk - continued

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

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for advances to customers in margin financing 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), unless the Company has reasonable and supportable information that demonstrates otherwise.

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 - continued

(ii) Definition of default

The Company considers that default has occurred when the instrument is more than 90 days past due (except for advances to customers in margin financing 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), unless the Company has reasonable and supportable information that demonstrates otherwise.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) substantial shortfall of the loan balance versus the collateral held by the Company while there is no concrete repayment plan to reduce the shortfall;
(d) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(e) probable event that the borrower will enter bankruptcy or other financial reorganisation; or
(f) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 - continued

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence for impairment measurement at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Company's advances to customers in margin financing, amounts due from related companies, cash collateral on securities borrowed and reverse repurchase agreements, accounts receivable, deposits and other receivables, cash and cash equivalents, cash held on behalf of customers are each assessed as a separate group);
- Past-due status; and
- External credit ratings where available.

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

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

Except for investment in debt instruments that are measured at FVTOCI, the Company recognises an impairment charges, net of reversal in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of advances to customers and investment securities at amortised cost, where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments – continued

Financial liabilities and equity – continued

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) those designated as at FVTPL.

Conditions for classifying financial liabilities as held for trading are largely similar as the conditions for classifying financial assets as held for trading.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 33.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, accounts payable, amounts due to related companies, subordinated loans, cash collateral on securities lent and repurchase agreements and other payables are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial liabilities and equity - continued

Effective interest method

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

Offsetting a financial asset and a financial liability

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 **Material Accounting Policy Information** - continued

Financial instruments - continued

Financial liabilities and equity - continued

Repurchase agreements

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

Reverse repurchase agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "Reverse repurchase agreements" in the statement of financial position. Reverse repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty

Impairment charges of financial assets at amortised cost

The directors of the Company estimate the amount of loss allowance for ECL on financial assets at amortised cost based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk and therefore expected cash flows of the respective financial instrument involves a high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment charges or a material reversal of impairment charges may arise, accordingly. The information about the ECL and the financial assets at amortised cost are disclosed in respective notes to the financial statements.

In response to the requirements of HKFRS 9, the Risk Management Department is responsible for developing and maintaining the processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL; and ensuring that the Company has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

Incorporation of forward-looking information

The Company employs internal experts who use external and internal information to generate scenario of future forecast of relevant economic variables. The internal and external information used includes the historical data of the Company and economic data and forecasts published by governmental bodies and monetary authorities respectively. Accordingly, when measuring ECL the Company selects and uses reasonable and supportable forward-looking information available without undue cost or effort in its assessment, which is based on assumptions and estimates for the future movement of different economic drivers and how these drivers will affect each other as well as the correlation.

Measurement of ECL

Probability of default ("PD") constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation is based on reasonable and appropriate statistical rating models selected by the management with judgements. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative, if available, factors which includes historical data, assumptions and expectations of future conditions. In current situation of greater economic uncertainties, the directors of the Company have taken into account of the possible worsening economic outlook into certain ECL models by adjusting the probabilities assigned to the multiple economic scenarios (e.g. normal scenario and downside scenario) set in the ECL model with reference to the publicly available information. The management gathers this information and adjust the data to reflect probability-weighted forward-looking information that is reasonable and supportable available without undue cost or effort.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Impairment charges of financial assets at amortised cost - continued

Measurement of ECL - continued

Loss Given Default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements with significant judgments involved. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, transaction volume of the secured assets and seniority of claim. For unsecured loans, the calculation of LGD includes the judgments in determining the proportion of loan recovered after default and the duration of recovery.

In assessing the lifetime ECL on credit-impaired financial assets classified as stage 3, the Company performs the assessment based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers (such as whether there is any guarantor and the financial strength of the guarantor), 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 Company also reviews the value of the collateral received from the customers and other types of credit enhancement received during debt collection process in determining the impairment. Generally, the Company reviews the value of collateral depending on the particular type of the collateral received. During the course of business, the Company will receive different types of collateral for financing provided, such as listed shares, shares of unlisted companies or assets such as property, and the Company has developed valuation techniques and policies in valuing different types of collateral. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce material differences between loss estimates and actual loss experience.

Relevant information with regard to the exposure to credit risk and expected credit losses are set out in note 33 to the financial statements.

Estimation of realisability of deferred tax assets

Deferred tax assets are recognised for tax losses not yet used and recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgement is required to assess the probability of future taxable profits for a 3-year period (except for investment gains from financial asset based on a 1-year forecast), considering several factors including potential cashflows from assets (including financial assets) held, unrealised or realised gains or loss from these assets, and macro-economic environment (such as forecasted outlook of the financial market). Management's assessment is constantly reviewed, and deferred tax assets are recognised only if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. As at 31 December 2023, the Company recognised deferred tax assets of approximately HK$42 million (31 December 2022: HK$42 million). In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Critical judgements in applying accounting policies

Significant increase in credit risk in measurement of ECL

As explained in note 3, the Company monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12m ECL. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information, if available, without undue cost or effort with significant judgments involved. Information that will be taken into account when assessing whatever there is significant increase in credit risks are set out in "Impairment of financial assets" in note 3 and note 33.

5. REVENUE

An analysis of revenue is as follows:

	2023 HK$	2022 HK$
Revenue		
Commission and fee income (Note 1):		
Commission on securities dealing and broking	295,272,940	431,562,986
Commission on underwriting and placing	133,164,634	352,363,338
Financial advisory and consultancy fee income	886,671	3,232,074
Handling, custodian and other service fee income	180,082,896	173,410,937
	609,407,141	960,569,335
Interest income:		
Interest income from advances to customers in margin financing	534,991,892	658,293,940
Interest income from other activities	357,119,670	167,977,520
	892,111,562	826,271,460
Net trading and investment income:		
Net income from financial assets held for trading and market making activities (Note 2)	55,251,494	89,514,170
Net gain (loss) from investment securities at fair value	29,572,824	(2,122,866)
	84,824,318	87,391,304
	1,586,343,021	1,874,232,099

Notes:
1. Commission and fee income is the only revenue arising from HKFRS 15, while interest income and net trading and investment income are under the scope of HKFRS 9.
2. Included in net trading and investment income is dividend income of HK$636,809.

6. LOSS BEFORE TAX

	2023 HK$	2022 HK$
Loss before tax has been arrived at after charging:		
Auditor's remuneration (Note)	2,208,000	1,364,000
Depreciation on property and equipment (other than right-of-use assets)	895,365	909,088
Depreciation of right-of-use assets	4,532,262	4,853,492
Exchange costs	1,318,343	28,164,866
IT expenses	105,088,989	125,834,217
Settlement costs	156,298,170	121,531,935

Note: Auditor's remuneration for both years are settled by Haitong International Securities Group Limited, the immediate holding company of the Company.

7. IMPAIRMENT CHARGES, NET OF REVERSAL

	2023 HK$	2022 HK$
Impairment charges on:		
Advances to customers in margin financing	1,261,643,120	394,353,229
Accounts receivable and others	24,833,784	93,728,613
	1,286,476,904	488,081,842

8. FINANCE COSTS

	2023 HK$	2022 HK$
Bank loans and overdrafts	10,746,561	6,209,252
Finance cost to the immediate holding company (Note 31)	144,884,248	121,887,673
Interest on lease liabilities	160,145	295,696
Repurchase agreements	212,331,648	72,480,597
Others	2,468,170	1,360,938
	370,590,772	202,234,156

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK$	2022 HK$
Salaries, incentives, bonuses and allowances (Note)	242,900,956	355,551,512
Pension scheme contribution (Note)	12,957,409	14,933,152
	255,858,365	370,484,664

Note: The amounts represent the reimbursement of staff cost to a fellow subsidiary.

10. DIRECTORS' REMUNERATION

	2023 HK$	2022 HK$
Salaries and allowances	3,180,000	3,321,378
Pension scheme contribution	159,000	166,068
	3,339,000	3,487,446

The directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company.

Certain directors of the Company received emoluments from its related companies, which amounted to HK$4,955,649 (2022: HK$5,031,156), part of which is in respect of their services to the Company and its holding companies and its fellow subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount among their services to the Company, its holding companies and its fellow subsidiaries.

11. INCOME TAX CREDIT

	2023 HK$	2022 HK$
Current tax		
- Other jurisdictions	1,799,122	2,801,793
Overprovision		
- Hong Kong	(5,656,665)	-
Underprovision		
- Other jurisdictions	112,763	172,904
Deferred tax		
- Hong Kong	-	(36,056,260)
	(3,744,780)	(33,081,563)

11. INCOME TAX CREDIT - continued

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the current year.

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 PRC representative office is 25%.

Under the Law of Macau Special Administrative Region on Complementary Tax, the tax rate of the Macau Branch is 12%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The tax charge for the year can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

	2023 HK$	2022 HK$
Loss before tax	(1,497,276,585)	(504,227,415)
Taxation at Hong Kong Profits Tax rate of 16.5%	(247,050,636)	(83,197,523)
Tax effect of income not taxable for tax purpose	(80,960,598)	(48,772,545)
Tax effect of expenses not deductible for tax purpose	36,289,696	33,431,643
(Over) under provision in respect of prior years	(5,543,902)	172,904
Effects of tax losses and deductible temporary differences not recognised	292,908,959	64,412,576
Effects of different tax rates in foreign jurisdictions	611,701	952,609
Others	-	(81,227)
Income tax credit	(3,744,780)	(33,081,563)

As at 31 December 2023, the Company had unused estimated tax losses of approximately HK$2,212,511,000 (2022: HK$438,951,000) available for offset against future profits of the respective companies in which the losses arose. The unused tax losses can be carried forward indefinitely with no expiry date but subject to the approval of the Hong Kong Inland Revenue Department. As at 31 December 2023, tax losses of HK$218,523,000 had been recognised as deferred tax assets as at 31 December 2023 (2022: HK$218,523,000). The remaining tax losses of HK$1,993,988,000 (2022: HK$390,379,000) have not been recognised as deferred tax assets due to the unpredictability of future profit streams.

12. CASH AND CASH EQUIVALENTS

The amount comprises of cash on hands and bank current and savings deposits held by the Company at prevailing market interest rate.

13. CASH HELD ON BEHALF OF CUSTOMERS

The Company maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of business.

The Company has classified the clients' monies as cash held on behalf of customers under the current assets section of the statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies.

The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

14. FINANCIAL ASSETS HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	2023 HK$	2022 HK$
Listed equity investments	13,665	13,676,140
Exchange traded funds	-	23,112,284
Listed debt investments	485,269,628	242,351,449
Unlisted debt investments	109,198,496	-
	594,481,789	279,139,873

Details of disclosure for fair value measurement is set out in note 33.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK$	2022 HK$
LIABILITIES		
Listed options/warrants	-	29,752
Listed callable bull/bear contracts	114,617	56,441
	114,617	86,193

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial liabilities in the statement of financial position.

Details of disclosure for fair value measurement is set out in note 33.

16. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2023 HK$	2022 HK$
Margin financing	9,515,344,298	12,404,563,370
Less: Impairment allowance	(2,312,738,339)	(1,051,095,134)
	7,202,605,959	11,353,468,236

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Company, where the Company maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call with the margin clients having to make good the shortfall. The Company's Risk Management Department is responsible to monitor credit risk and seek to maintain a strict control over the outstanding loan balance.

The loans to margin clients are interest bearing and secured by the underlying pledged securities. As at 31 December 2023, margin financing of HK$7,203 million (31 December 2022: HK$11,353 million) were secured by securities pledged by the customers to the Company as collateral with undiscounted market value of HK$25,581 million (31 December 2022: HK$36,758 million). In determining the allowances for credit impaired loans to margin clients for the current year, the management of the Company also takes into account shortfall by comparing the fair value of securities pledged as collateral and the outstanding balance of loan to margin clients, taking into account factors including subsequent settlements, executable settlement plans and restructuring arrangements, and other types of credit enhancements in assessing the expected credit loss.

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 33.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

17. CASH COLLATERAL ON SECURITIES BORROWED AND REVERSE REPURCHASE AGREEMENTS

	2023 HK$	2022 HK$
Cash collateral on securities borrowed	634,620,925	235,104,492
Reverse repurchases agreements		
Analysed by collateral type:		
Equities	-	461,946,765
Bonds	2,561,052,419	354,866,203
	3,195,673,344	1,051,917,460

17. CASH COLLATERAL ON SECURITIES BORROWED AND REVERSE REPURCHASE AGREEMENTS - continued

Cash collateral paid under securities borrowing agreements is repayable upon expiry of relevant securities borrowing agreements and the relevant stocks borrowed are returned to the lender. Reverse repurchase agreements are transactions in which the external investors sell a security to the Company and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Company is not exposed to significant credit risks, market risks and rewards of those securities bought. These securities are not recognised in the financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities.

As at 31 December 2023, the fair value of the collateral in respect of reverse repurchase agreements was HK$2,803 million (2022: HK$1,145 million). As at 31 December 2023, included in the reverse repurchase agreements is the reverse repurchase agreement of HK$1,988 million (2022: HK$497 million) entered between the Company and fellow subsidiaries.

Details of stock borrowing are set out in note 35.

18. ACCOUNTS RECEIVABLE

	2023 HK$	2022 HK$
Accounts receivable from:		
- Clients	1,278,557,251	1,592,438,487
- Brokers, dealers and clearing house	937,528,934	899,403,746
- Clients for subscription of new shares in IPO	-	1,079,983
- Others	80,704,991	29,669,824
	2,296,791,176	2,522,592,040

Details of impairment assessment for current and prior years are set out in "credit risk and impairment assessment" in note 33.

The following is an ageing analysis of the accounts receivable based on trade date/invoice date at the reporting date:

	2023 HK$	2022 HK$
Between 0 and 3 months	2,286,043,055	2,509,828,923
Between 4 and 6 months	1,325,935	704,972
Between 7 and 12 months	2,801,508	1,304,956
Over 1 year	6,620,679	10,753,189
	2,296,791,176	2,522,592,040

18. ACCOUNTS RECEIVABLE - continued

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and that of accounts receivable arising from the business of dealing in futures, options and securities trading in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are one day after trade date.

Accounts receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 31 December 2023, accounts receivable from clients amount of HK$Nil (31 December 2022: HK$1,079,983) arising from financing of IPO subscriptions.

Normal settlement terms of accounts receivable from corporate finance are determined in accordance with the contract terms. These accounts receivable are usually repaid within one year after the services have been provided.

For accounts receivable from clients that are overdue, the management ensures that the available cash balance, listed equity securities, listed debt investments and exchange traded funds belonging to clients which the Company holds as custodian are sufficient to cover the amounts due to the Company.

19. INVESTMENT SECURITIES

	2023 HK$	2022 HK$
Investment securities measured at:		
- Fair value through profit or loss	319,064,506	495,768,609
- Fair value through other comprehensive income	92,095,105	30,377,250
Less: Non-current portion	(92,095,105)	(30,377,250)
Current portion	319,064,506	495,768,609

Details of disclosure for fair value measurement are set out in note 33.

Investment securities measured at fair value through profit or loss

	2023 HK$	2022 HK$
Listed equity investments	123,542	344,208
Listed debt investments	184,487,676	183,064,966
Unlisted debt investments	608,061	-
Unlisted investment fund	133,845,227	312,359,435
Less: Non-current portion	-	-
Current portion	319,064,506	495,768,609

19. INVESTMENT SECURITIES - continued

Investment securities measured at fair value through other comprehensive income

	2023 HK$	2022 HK$
Listed equity investments	92,095,105	30,377,250
Less: Non-current portion	(92,095,105)	(30,377,250)
Current portion	-	-

20. INTANGIBLE ASSETS

	2023 HK$	2022 HK$
Cost (gross carrying amount)	9,075,000	9,075,000
Accumulated amortisation	(3,020,655)	(3,020,655)
Net carrying amount	6,054,345	6,054,345

Upon the adoption of HKAS 38 "Intangible Assets" in 2005, the Company's eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited of net carrying amount of HK$6,054,345 (31 December 2022: HK$6,054,345) are considered to have indefinite lives, which are not amortised, as the trading rights have no expiry date. The accumulated amortisation is brought forward from prior years before the adoption of HKAS 38.

The trading rights held by the Company are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relating to brokerage business, whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment on the trading rights as at 31 December 2023 and 31 December 2022.

21. OTHER ASSETS

	2023 HK$	2022 HK$
At cost:		
Deposits with the Stock Exchange:		
- Compensation fund	350,000	350,000
- Fidelity fund	1,040,713	1,039,840
- Mainland securities and settlement deposit	63,493,927	127,615,180
Stamp duty deposits	500,000	500,000
Contributions to The Central Clearing and Settlement System Guarantee Fund	40,365,258	75,821,935
Admission fees paid to Hong Kong Securities Clearing Company Limited	350,000	350,000
Reserve fund with The SEHK Options Clearing House Limited	4,956,862	3,613,953
	111,056,760	209,290,908

22. PROPERTY AND EQUIPMENT

31 December 2023	Leasehold land and buildings HK$	Leasehold improvements HK$	Computer equipment HK$	Furniture, fixtures and equipment HK$	Total HK$
At 1 January 2023					
Cost	17,245,309	20,468,187	4,394,742	14,350,585	56,458,823
Accumulated depreciation	(10,662,532)	(20,370,290)	(3,210,769)	(13,482,008)	(47,725,599)
Net carrying values	6,582,777	97,897	1,183,973	868,577	8,733,224
At 1 January 2023, net of accumulated depreciation	6,582,777	97,897	1,183,973	868,577	8,733,224
Depreciation	(4,580,106)	(83,319)	(505,277)	(258,925)	(5,427,627)
At 31 December 2023, net of accumulated depreciation	2,002,671	14,578	678,696	609,652	3,305,597
At 31 December 2023					
Cost	17,245,309	20,468,187	4,394,742	14,350,585	56,458,823
Accumulated depreciation	(15,242,638)	(20,453,609)	(3,716,046)	(13,740,933)	(53,153,226)
Net carrying values	2,002,671	14,578	678,696	609,652	3,305,597

22. PROPERTY AND EQUIPMENT - continued

31 December 2022	Leasehold land and buildings HK$	Leasehold improvements HK$	Computer equipment HK$	Furniture, fixtures and equipment HK$	Total HK$
At 1 January 2022					
Cost	19,529,174	19,381,965	4,611,730	1,791,149	45,314,018
Accumulated depreciation	(9,089,519)	(19,272,718)	(2,762,215)	(590,244)	(31,714,696)
Net carrying values	10,439,655	109,247	1,849,515	1,200,905	13,599,322
At 1 January 2022, net of accumulated depreciation	10,439,655	109,247	1,849,515	1,200,905	13,599,322
Addition - Right-of-use assets under HKFRS 16	1,637,895	-	-	-	1,637,895
Additions	-	41,749	-	-	41,749
Disposals/termination	(1,267,366)	-	(156,988)	(75,584)	(1,499,938)
Exchange adjustment	673,930	4,370	23,210	15,266	716,776
Depreciation	(4,901,337)	(57,469)	(531,764)	(272,010)	(5,762,580)
At 31 December 2022, net of accumulated depreciation	6,582,777	97,897	1,183,973	868,577	8,733,224
At 31 December 2022					
Cost	17,245,309	20,468,187	4,394,742	14,350,585	56,458,823
Accumulated depreciation	(10,662,532)	(20,370,290)	(3,210,769)	(13,482,008)	(47,725,599)
Net carrying values	6,582,777	97,897	1,183,973	868,577	8,733,224

Notes:

(i) As at 31 December 2023, included in the carrying amount of leasehold land and buildings is right-of-use assets of HK$1,454,801 (2022: HK$5,987,063).

(ii) For the year ended 31 December 2023, the total cash outflow for leases amounts to HK$4,762,730 (2022: HK$5,822,820).

(iii) For the year ended 31 December 2023, the fully depreciated right-of-use assets of HK$Nil (2022: HK$2,184,733) have been written off.

For both years, the Company leases various offices for its operations. Lease contracts are entered into for fixed term of 2 years and 3 years. 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 Company applies the definition of a contract and determines the period for which the contract is enforceable.

23. FINANCIAL LIABILITIES HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	2023 HK$	2022 HK$
Listed equity investments (Note)	1,735	2,285
Listed debt investments (Note)	138,470,891	86,802,632
Unlisted debt investments (Note)	24,652,072	-
	163,124,698	86,804,917

Note: Balance represents the fair value of equity and debt securities from short selling activities.

Details of disclosure for fair value measurement are set out in note 33.

24. CASH COLLATERAL ON SECURITIES LENT AND REPURCHASE AGREEMENTS

	2023 HK$	2022 HK$
Cash collateral on securities lent	1,323,610,126	1,991,863,037
Repurchase agreements		
Analysed by collateral type:		
Equities	2,385,000,000	3,372,808,023
Bonds	3,146,284,869	743,411,664
	6,854,894,995	6,108,082,724

Cash collateral received under securities lending agreement are repayable upon expiry of relevant securities lending agreements and the relevant stocks lent are returned by the borrower. Repurchase agreements are transactions in which the Company sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Company is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Company retains substantially all the risks and rewards of these securities.

As at 31 December 2023, the Company entered into repurchase agreements with financial institutions to sell equities and bonds recognised as financial assets at FVTPL with carrying amount of HK$6,147 million (2022: HK$4,731 million), which were subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

As at 31 December 2023, repurchase agreements of HK$533 million (2022: HK$273 million) were entered between the Company and a fellow subsidiary.

Details of stock lending are set out in note 35.

25. ACCOUNTS PAYABLE

	2023 HK$	2022 HK$
Accounts payable to:		
- Clients	7,443,586,365	9,976,790,705
- Brokers, dealers and clearing house	545,721,010	493,315,651
- Others	87,439,839	61,293,602
	8,076,747,214	10,531,399,958

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

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

The Company has a practice to satisfy all the requests for payments immediately within the credit period.

Except for the accounts payable to clients which bear interest at 0.001% as at 31 December 2023 (31 December 2022: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in segregated accounts with authorised institutions of HK$6,675 million (31 December 2022: HK$8,901 million) and Stock Exchange Options Clearing House totalling HK$26 million (31 December 2022: HK$23 million).

26. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amounts due from related companies are unsecured, repayable on demand and non-interest bearing.

As at 31 December 2023 and 31 December 2022, the directors have reviewed and assessed the amounts due from related companies using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact are considered as immaterial.

The amounts due to related companies are unsecured, non-interest bearing and repayable on demand.

27. BANK BORROWINGS

	2023 HK$	2022 HK$
Current liabilities		
- Secured bank loans (Note)	-	184,629,720

Note: As at 31 December 2022, bank loans of HK$185 million were secured by the listed shares (held by the Company as security for advances to customers in margin financing with the customers' consent) of HK$1,979 million at fair value held by the Company.

As at 31 December 2022, there is no current portion of unsecured bank loans which are not repayable within one year from the end of the reporting period but contain a repayment on demand clause.

28. SUBORDINATED LOANS

	2023 HK$	2022 HK$
Subordinated loans from		
- the immediate holding company	3,400,000,000	3,400,000,000

The loans are unsecured, interest bearing at Hong Kong prime rate minus 1.5% per annum and repayable on demand with a notice period of one month and subject to the approval by the Securities and Futures Commission.

Subject to the overriding provision that, if the Company becomes insolvent or unable to meet the liquid capital requirements set out in the Securities and Futures (Finance Resources) Rules, the repayment of the loans is subordinated to the prior repayment of all other creditors of the Company.

29. SHARE CAPITAL

	2023		2022	
	Number of shares	Amounts HK$	Number of shares	Amounts HK$
Issued and fully paid:				
Ordinary shares with no par value at beginning of the year	11,500,000,000	11,500,000,000	11,500,000,000	11,500,000,000
Ordinary share with no par value at end of the year	11,500,000,000	11,500,000,000	11,500,000,000	11,500,000,000

There was no movement in the Company's share capital for both years.

30. OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	2023 HK$	2022 HK$
Other payables, accruals and other liabilities	54,500,106	24,890,071
Less: Non-current portion	(602,256)	(1,497,076)
Current portion	53,897,850	23,392,995

Notes:

(i) Other payables are non-interest bearing.

(ii) As at 31 December 2023, included in other payables, accruals and other liabilities are lease liabilities of HK$1,492,081 (31 December 2022: HK$6,094,666).

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions and balances with the related parties:

	2023 HK$	2022 HK$
Immediate holding company		
- Management fees charged (Note a)	(614,298,299)	(484,268,594)
- Interest expense (Note b)	(144,884,248)	(121,887,673)
Fellow subsidiaries		
- Management fees charged (Note a)	(8,736,351)	(26,698,985)
- IT expenses charged (Note c)	(67,849,663)	(64,946,589)
- Research fees charged to Haitong Bank, S.A. ("Haitong Bank") (Note d)	-	(3,036,970)
- Research fees received from Haitong Bank (Note d)	-	432,743
- Referral fees charged (Note e)	(132,632,625)	(307,164,162)

31. RELATED PARTY TRANSACTIONS - continued

Notes:

(a) During the year, management fees of HK$117,850,824 (2022: HK$240,178,493) were charged by Haitong International Securities Group Limited. It is related to general administrative services provided by Haitong International Securities Group Limited and fellow subsidiaries and were charged on a proportionate basis by reference to revenue and asset size of certain fellow subsidiaries.

During the year, management fees of HK$25,572,364 (2022:HK$57,525,860) were recharged by Haitong International Securities Group Limited and fellow subsidiaries in relation to equity trading service and research service to each other's external clients.

During the year, management fees of HK$479,611,462 (2022: HK$213,263,226) was recharged by Haitong International Securities Group Limited in relation resources of Haitong International Securities Group Limited which were used by the Company.

(b) Interest expense of HK$144,884,248 (2022: HK$121,887,673) was charged at Hong Kong prime rate minus 1.5% per annum on subordinated loans from Haitong International Securities Group Limited.

(c) IT expenses charged were determined with reference to the actual expenses incurred by fellow subsidiaries with 5% mark-up.

(d) During the year ended 31 December 2019, the Company has entered into a framework collaboration agreement (the "Agreement") with Haitong Bank, a subsidiary of Haitong International Holdings Limited, an intermediate holding company of the Company, pursuant to which Haitong Bank and the Company would provide equity trading service and research service to each other, depending the domicile of the clients within or outside the European Union. During the year ended 31 December 2022, income received from Haitong Bank in connection to such services amounted to EUR51,801 (equivalent to HK$432,743) and expenses paid by the company in connection to such services amounted to EUR358,649 (equivalent to HK$3,036,970). The relevant income and expense are based on the terms as set out in the Agreement, while such Agreement was terminated during the year ended 31 December 2022.

(e) Referral fees of HK$132,632,625 (2022: HK$307,164,162) was charged by a fellow subsidiary in relation to the service provided in the facilitation of underwriting and placing deals completed during the year ended 31 December 2023.

32. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to the sole shareholder through the optimisation of the debt and equity balance. The capital structure of the Company consists of issued share capital and retained earnings. The directors review the capital structure by considering the cost of capital and the risks associated with the capital. The Company's overall strategy remains unchanged throughout the year.

The Company is regulated by the Securities and Futures Commission and is required to comply with the financial resources requirements according to the Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management closely monitors, on a daily basis, the Company's liquid capital level to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Company has complied with the capital requirements imposed by SF(FR)R throughout the year.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK$	2022 HK$
Financial assets		
Amortised cost (including cash and cash equivalents)	27,629,125,274	31,257,797,623
Fair value through profit or loss		
Held for trading and market making activities	594,481,789	279,139,873
Investment securities	319,064,506	495,768,609
Fair value through other comprehensive income		
Investment securities	92,095,105	30,377,250
	28,634,766,674	32,063,083,355
Financial liabilities		
Amortised cost	18,445,470,112	20,287,078,462
Fair value through profit or loss		
Held for trading and market making activities	163,124,698	86,804,917
Derivative financial instruments	114,617	86,193
	18,608,709,427	20,373,969,572

Financial risk management objectives and policies

The Company's major financial instruments are advances to customers in margin financing, accounts receivable, amounts due from/to related companies, deposits and other receivables, other assets, financial assets/liabilities held for trading and market making activities, investment securities, cash and cash equivalents, cash held on behalf of customers, cash collateral on securities borrowed and reverse repurchase agreements, accounts payable, other payables, bank borrowings, subordinated loans, cash collateral on securities lent and repurchase agreements, derivative financial instruments and lease liabilities. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS - continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Company's exposures to market risk include price risk, currency risk and interest rate risk.

Price risk

Price risk is the risk that the fair values of equity investments, debt investments, exchange traded funds and derivatives decrease as a result of changes in the levels of equity indices and the value of individual investment.

The Company is mainly exposed to price risk arising from equity investments and exchange traded funds that are classified as financial assets/liabilities held for trading and market making activities and investment securities measured at FVTPL and FVTOCI. Haitong International Securities Group Limited, the immediate holding company of the Company, has established a risk management mechanism led by the Board and the Executive Committee through its 2 sub-committees, the Asset and Liabilities Management Committee and the Risk Management Committee which is for the purposes of monitoring the positions of its investment trading activities of Haitong International Securities Group Limited and its subsidiaries.

In addition, the Company's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Compliance Department and the Legal Department.

Listed equity investments and exchange traded funds

The table below summarises the impact of changes in the Hong Kong Hang Seng Index and other relevant indexes on the Company's loss after tax for the year. The analysis is based on the assumption that the equity indices had changed by 10% with all other variables held constant and all the listed equity instruments move according to the historical correlation with the index.

Hong Kong Hang Seng Index and other relevant indices

	2023		2022	
	Impact on loss after tax HK$	Impact on investment valuation reserve HK$	Impact on loss after tax HK$	Impact on investment valuation reserve HK$
Increase by 10%	(10,841)	4,795,417	(3,100,384)	2,536,500
Decrease by 10%	10,841	(4,795,417)	3,100,384	(2,536,000)

33. FINANCIAL INSTRUMENTS - continued

Market risk - continued

Price risk - continued

Debt securities measured at fair value

For sensitivity analysis purpose of debt investments, if the prices of debt securities (measured at fair value) had been 2% higher/lower, the loss after tax for the year ended 31 December 2023 would have decreased/increased by approximately HK$10,294,560 (2022: the loss after tax would have decreased/ increased by approximately HK$5,645,850).

Derivative financial instruments - held for trading

The fair value of derivative financial instruments held for trading depends on the underlying investment portfolio or linked index. If the fair value of the underlying investment portfolio or linked index increased/decreased by 2%, the fair value of derivative financial instruments held for trading and loss after tax would be subject to an estimated HK$1,914 increase/decrease (2022: the loss after tax would have HK$1,439 increase/decrease). In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Unlisted investment funds

The fair value of unlisted fund depends on the valuation of the respective investments or underlying investments. If the unit price increased/decreased by 5%, loss after tax for the year would be subject to an estimated HK$5,588,038 decrease/increase (2022: HK$13,041,006 decrease/increase).

Currency risk

The Company's foreign currency risk arises principally from provision of corporate advisory services denominated in currencies other than Hong Kong dollars ("HKD"). Despite of this foreign exchange exposure, the majority of the Company's assets and liabilities are denominated in HKD, Renminbi ("RMB"), Japanese yen ("JPY"), Australian dollars ("AUD") and Singapore dollars ("SGD"). The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the HKD pegged system to the USD.

As at 31 December 2023, if RMB strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$10,658,000 lower/higher (2022: the loss after tax would have been HK$11,074,000 lower/higher).

As at 31 December 2023, if JPY strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$4,530,000 lower/higher. (2022: the loss after tax would have been HK$4,620,000 lower/higher).

As at 31 December 2023, if SGD strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$3,441,000 lower/higher (2022: the loss after tax would have been HK$3,364,000 lower/higher).

33. FINANCIAL INSTRUMENTS - continued

Market risk - continued

Currency risk - continued

As at 31 December 2023, if AUD strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$1,258,000 lower/higher. (2022: the loss after tax would have been HK$1,317,000 lower/higher).

Interest rate risk

Fair value interest rate risk

The Company's fair value interest rate risk relates primarily to financial assets/liabilities held for trading and market making activities and debt securities within investment securities measured at FVTPL all carried at fixed interest rates.

At 31 December 2023, if market interest rates had been 25 basis points (2022: 25 basis points) higher/lower with all other variables held constant, loss after tax for the year would have increased/decreased by HK$567,253 (2022: loss after tax would have increased/ decreased by HK$706,856).

Cash flow interest rate

The Company's cash flow interest rate risk relates primarily to the Company's advances to customers in margin financing, cash held on behalf of customers, cash and cash equivalents, bank borrowings and subordinated loans with floating interest rates. The Company's exposure to cash flow interest rate risk arising from the interest-bearing assets can be offset against the Company's interest-bearing liabilities. Management of the Company actively monitors the Company's net interest rate exposure through setting limits on the level of mismatch of interest rate re-pricing and duration gap and aims at maintaining an interest rate spread, such that the Company is always in a net interest-bearing asset position and derives net interest income. The directors of the Company considered that there is no concentration of interest risk exposure.

	2023 HK$	2022 HK$
Advances to customers in margin financing	7,202,605,959	11,353,468,236
Cash held on behalf of customers	6,674,705,035	8,901,302,287
Cash and cash equivalents	2,590,248,286	1,053,860,308
Bank borrowings	-	(184,629,720)
Subordinated loans	(3,400,000,000)	(3,400,000,000)
	13,067,559,280	17,724,001,111

33. FINANCIAL INSTRUMENTS - continued

Market risk - continued

Interest rate risk - continued

Cash flow interest rate - continued

At 31 December 2023, if market interest rates had been 25 basis points (2022: 25 basis points) higher/lower with all other variables held constant, loss after tax for the year would have decreased/ increased by HK$27,279,000 (2022: loss after tax would have decreased/increased by HK$36,999,000). In the opinion of the management the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

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

Apart from the exposure to the concentration of credit risk from bank balances, the Company has no other significant concentration of credit risk. The major sources of credit risk exposure of the Company are as follows:

Amounts due from related companies and bank deposits

In the opinion of the directors, the amounts due from related companies are considered to have minimal credit and default risk. Bank balances are placed in various authorised institutions and the directors consider the credit risk of such authorised institutions is low.

Advances to customers in margin financing

In order to manage the credit risk, the Credit Committee of the Company has appointed a group of authorised persons who are charged with the responsibility of approving credit limit of advances to customers and credit risk monitoring of advances to customers.

For margin lending, the Company adopts a proprietary developed credit scoring framework which is approved by the Credit Committee for calculating applicable margin ratios for individual stocks at acceptable collateral. The acceptable share list will be updated and approved quarterly and/or when deemed necessary by a working group consisted of Risk Management Department and relevant business units and support functions. The Credit Committee also prescribes the maximum margin limits on both Company level and individual account level for margin lending against a single client (or a group of connected margin clients) and/or a single stock from time to time to avoid over-concentration of risk.

33. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Advances to customers in margin financing - continued

The Risk Management Department of the Company is responsible for overall monitoring of the credit risk of its customers. It will closely monitor the financial position of the debtors and guarantors and for the loans with collateral pledged to the Company. The deficiency reports and customers' account portfolios are monitored on a daily basis to ensure that sufficient collateral is received to maintain an acceptable loan to collateral value ratio. Accounts with margin deficit is subject to margin calls, failure to meet margin calls may result in forced liquidation of part or all positions of the account.

In this regard, the directors consider that the Company's credit risk is significantly reduced.

Advances to customers in margin financing are backed by collateral. The Company only accepts collateral in the form of cash and liquid stocks. Concentration risk of advances to customers in margin financing is managed by reference to individual customers. The aggregate credit exposure in relation to the ten largest outstanding customers, including corporate entities and individuals at 31 December 2023 was HK$4,199 million (31 December 2022: HK$6,195 million) which were secured by collateral.

Accounts receivable

Majority of the settlement terms of accounts receivable attributable to dealing in securities and equity options transactions are two days after the trade date.

Accounts receivable from brokers, dealers and clearing house are attributable to dealing in futures and options transactions which are with the exchange houses and reputable international financial institutions. The risk of default is considered to be minimal.

There is no concentration of credit risk with respect to the receivables, as the Company has a large number of clients who are internationally dispersed. Most of the accounts and other receivables from clients with overdue more than 30 days are fully secured by listed securities with market value significantly higher than the carrying amount.

33. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Accounts receivable - continued

The Company's credit risk grading assessment comprises the following categories which takes into the account of the requirement of applicable accounting standards:

Internal credit rating	Description	Financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	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 (except for advances to customers in margin financing where a shorter period of "past due" has been applied in accordance with the outstanding margin call triggered by excess in specified loan to collateral ratio)	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (except for advances to customers in margin financing where a shorter period of "past due" has been applied in accordance with the outstanding margin call triggered by excess in specified loan to collateral ratio)	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

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

2023	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount HK$	HK$	2022 Gross carrying amount HK$	HK$
Financial assets at amortised cost								
Advances to customers in margin financing	16	N/A	Low risk	12-month ECL	4,137,555,774		6,638,452,529	
			Doubtful	Lifetime ECL (not credit-impaired)	40,488,251		174,015,860	
			Loss	Lifetime ECL (credit-impaired)	5,337,300,273	9,515,344,298	5,592,094,981	12,404,563,370
Cash and cash equivalents (Note)	12	Above Baa2 (Moody)/ BBB (S & P)	N/A	12-month ECL		2,590,277,212		1,053,892,119
Cash held on behalf of customers (Note)	13	Above Baa2 (Moody)/ BBB (S & P)	N/A	12-month ECL		6,674,761,970		8,901,455,113
Accounts receivable	18	N/A	Low risk	12-month ECL	2,297,867,428		2,523,255,046	
			Loss	Lifetime ECL (credit-impaired)	111,064,510	2,408,931,938	84,479,159	2,607,734,205
Cash collateral on securities borrowed and reverse repurchase agreements (Note)	17	Above Baa2 (Moody)/ BBB (S&P)	N/A	12-month ECL		3,195,828,138		1,054,137,291

Note: The directors of the Company consider the impacts of the ECL are immaterial to the Company and no reconciliation of gross carrying amount and impairment allowances have been prepared.

33. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Accounts receivable - 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 and are adjusted for forward-looking information that is available without undue cost or effort, including macroeconomic data such as GDP growth, unemployment rates and benchmark interest rates and house prices. The identification of internal credit rating for individual financial assets regularly reviewed by management to ensure relevant information about specific financial assets is updated.

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

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

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

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

Movement in the allowances for impairment that has been recognised for advances to customers in margin financing are as follows:

31 December 2023

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1 January 2023	3,485,401	997,054	1,046,612,679	1,051,095,134
Changes due to financial instruments recognised as at 1 January 2023:				
- Net remeasurement of ECL without transfer of stage	2,748,903	(628)	1,250,695,957	1,253,444,232
- Repayments (note iv)	(7,286)	-	(860)	(8,146)
- Transfer from/to 12-month ECL to/from lifetime ECL	6,424,205	(945,902)	(5,478,303)	-
- Net remeasurement of ECL arising from transfer of stage (note i)	(7,007,782)	341,993	(1,019,322)	(7,685,111)
- De-recognition (note v)	-	-	-	-
New lending (note ii)	338,397	935	15,552,898	15,892,230
As at 31 December 2023 (note iii)	5,981,838	393,452	2,306,363,049	2,312,738,339

33. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Accounts receivable - continued

31 December 2022

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1 January 2022	22,178,028	13,164,807	667,574,420	702,917,255
Changes due to financial instruments recognised as at 1 January 2022:				
- Net remeasurement of ECL without transfer of stage	(4,927,027)	-	96,174,482	91,247,455
- Repayments (note iv)	(98,905)	-	(1,257)	(100,162)
- Transfer from/to 12-month ECL to/from lifetime ECL	(14,811,695)	(12,896,818)	27,708,513	-
- Net remeasurement of ECL arising from transfer of stage (note i)	(26,639)	453,808	301,331,092	301,758,261
- De-recognition (note v)	-	-	(46,175,351)	(46,175,351)
New lending (note ii)	1,171,639	275,257	780	1,447,676
As at 31 December 2022 (note iii)	3,485,401	997,054	1,046,612,679	1,051,095,134

Notes:

(i) For the year ended 31 December 2023, financial assets with gross carrying amount of HK$1,865 million were assessed as becoming credit-impaired due to outstanding margin call. Decrease in impairment allowance of HK$ 1 million was made under lifetime ECL in respect of these assets due to increase in recoverable amount from collateral as at current year end.

For the year ended 31 December 2022, financial assets with a gross carrying amount of HK$3,829 million were assessed as becoming credit-impaired due to outstanding margin call. Additional impairment allowance HK$301 million was made under lifetime ECL in respect of these assets due to decrease in recoverable amount from collateral as at prior year end.

(ii) Impairment allowance of HK$0.3 million (2022: HK$1 million) made under 12m ECL is in relating to new financial assets with gross amount of HK$499 million (2022: HK$1,888 million). During the current year, these advances to customers in margin financing had no significant increase in credit risk since initial recognition and were not assessed to be credit-impaired.

(iii) In determining the allowances for credit-impaired advances to customers in margin financing, the management of the Company also takes into account shortfall by comparing the fair value of securities pledged as collateral, other types of credit enhancement and the outstanding balance of loan to margin clients individually taking into account subsequent settlement or executable settlement plan and restructuring arrangements. In the opinion of the directors of the Company, the impairment provisions for both years are appropriate.

(iv) During the current year, loans with gross carrying amounts of HK$6 million (2022: HK$63 million) were repaid (with a corresponding reversals of impairment).

(v) During the current year, loans with gross carrying amounts of HK$Nil (2022: HK$46 million) were written off.

33. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Accounts receivable - continued

Movement in the allowances for impairment that has been recognised for accounts receivable are as follows:

31 December 2023

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1 January 2023	663,006	-	84,479,159	85,142,165
Changes due to financial instruments recognised as at 1 January 2023:				
- Net remeasurement of ECL without transfer of stage	(418,243)	-	-	26,998,597
New financial assets originated (note i)	-	-	27,416,840	27,416,840
As at 31 December 2023	244,763	-	111,895,999	112,140,762

31 December 2022

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1 January 2022	2,864,626	-	-	2,864,626
Changes due to financial instruments recognised as at 1 January 2022:				
- Net remeasurement of ECL without transfer of stage	(2,201,620)	-	-	(2,201,620)
New financial assets originated (note i)	-	-	94,551,743	94,551,743
De-recognition (note ii)	-	-	(10,072,584)	(10,072,584)
As at 31 December 2022	663,006	-	84,479,159	85,142,165

Notes:

(i) During the year ended 31 December 2022, new financial assets with gross carrying amount of HK$95 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year being past due. In assessing impairment, the management considered the financial status of the debtor, in which the accounts receivable was fully impaired as at 31 December 2022.

(ii) During the year ended 31 December 2022, a financial asset that was fully impaired with gross carrying amounts of HK$10 million was written off.

33. FINANCIAL INSTRUMENTS - continued

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

	31 December 2023				31 December 2022			
	Repayable on demand or less than 3 months HK$	Over 3 months to 1 year HK$	Over 1 year to 5 years HK$	Total HK$	Repayable on demand or less than 3 months HK$	Over 3 months to 1 year HK$	Over 1 year to 5 years HK$	Total HK$
Accounts payable	8,076,747,214	-	-	8,076,747,214	10,531,399,958	-	-	10,531,399,958
Other payables	51,456,819	-	-	51,456,819	18,104,858	-	-	18,104,858
Amounts due to fellow subsidiaries	60,879,003	-	-	60,879,003	38,766,536	-	-	38,766,536
Bank borrowings	-	-	-	-	184,629,720	-	-	184,629,720
Subordinated loans	3,400,000,000	-	-	3,400,000,000	3,400,000,000	-	-	3,400,000,000
Derivative financial instruments	114,617	-	-	114,617	86,193	-	-	86,193
Financial liabilities held for trading and market making activities	163,124,698	-	-	163,124,698	86,804,917	-	-	86,804,917
Cash collateral on securities lent and repurchase agreements	6,854,894,995	-	-	6,854,894,995	6,108,082,724	-	-	6,108,082,724
Lease liabilities	491,175	435,897	615,384	1,542,456	1,189,424	3,568,271	1,547,471	6,305,166
	18,607,708,521	435,897	615,384	18,608,759,802	20,369,064,330	3,568,271	1,547,471	20,374,180,072

Fair value

Some of the Company's financial assets and financial liabilities 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 and financial liabilities 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 is observable.

33. FINANCIAL INSTRUMENTS - continued

Fair value - continued

An analysis of the Company's financial assets and financial liabilities measured at fair value as at 31 December 2023 and 31 December 2022 are as follows:

	Fair value as at 31 December 2023 HK$	Fair value as at 31 December 2022 HK$	Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs
Recurring fair value measurements:				
Financial assets held for trading and market making activities/investment securities measured at fair value (through profit or loss and through other comprehensive income)				
- Listed equity investments	92,232,312	44,397,598	Level 1	Note (a)
- Exchange traded funds	-	23,112,284	Level 1	Note (a)
- Listed debt investments	669,757,304	425,416,415	Level 2	Note (c)
- Unlisted debt investments	109,806,557	-	Level 2	Note (c)
- Unlisted investment funds	133,845,227	312,359,435	Level 2	Note (c)
Financial liabilities held for trading and market making activities				
- Listed equity investments	1,735	2,285	Level 1	Note (a)
- Listed debt investments	138,470,891	86,802,632	Level 2	Note (c)
- Unlisted debt investments	24,652,072	-	Level 2	Note (c)
Derivative financial liabilities				
- Listed options/warrants	-	29,752	Level 2	Note (b)
- Listed callable bull/bear contracts	114,617	56,441	Level 2	Note (b)

Notes:

(a) Quoted price in active markets.

(b) The fair value is determined based on option pricing model with market observable financial parameters, such as quoted market price, dividend yield, volatility, foreign exchange rate, as key parameters.

(c) The fair values of listed debt investments, unlisted debt investments and unlisted investment funds are determined with reference to market observable broker/financial institution quotes.

As at 31 December 2023 and 31 December 2022, no non-financial assets or liabilities were carried at fair value.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Company's statement of financial position.

Under the agreement of continuous net settlement made between the Company and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited ("CSDC") and brokers, the Company has a legally enforceable right to set off the money obligation receivable and payable with HKSCC, CSDC and brokers on the same settlement date and the Company intends to set off on a net basis.

In addition, the Company has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Company intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, CSDC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Company, deposit placed with HKSCC, CSDC and brokers do not meet the criteria for offsetting in the statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 31 December 2023

	Gross amounts of recognised financial assets after impairment HK$	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$	Net amounts of financial assets presented in the statement of financial position HK$	Related amounts not set off in the statement of financial position: Financial instruments HK$	Related amounts not set off in the statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing houses	4,221,054,882	(1,924,263,706)	2,296,791,176	(520,372,089)	(462,969,547)	1,313,449,540
Deposit placed with clearing houses	111,056,760	-	111,056,760	-	-	111,056,760
Advances to customers in margin financing	7,202,605,959	-	7,202,605,959	(58,498,031)	(7,136,936,788)	7,171,140
Cash collateral on securities borrowed and reverse repurchase agreements	3,195,673,344	-	3,195,673,344	(217,496,427)	(2,933,007,177)	45,169,740

	Gross amounts of recognised financial liabilities HK$	Gross amounts of recognised financial assets set off in the statement of financial position HK$	Net amount of financial liabilities presented in the statement of financial position HK$	Related amounts not set off in the statement of financial position: Financial instruments HK$	Related amounts not set off in the statement of financial position: Collateral pledged HK$	Net amount HK$
Financial liabilities						
Accounts payable clients, brokers, dealers and clearing houses	(10,001,010,920)	1,924,263,706	(8,076,747,214)	578,870,121	-	(7,497,877,093)
Financial liabilities held for trading and market making activities	(163,124,698)	-	(163,124,698)	-	-	(163,124,698)
Cash collateral on securities lent and repurchase agreements	(6,854,894,995)	-	(6,854,894,995)	217,496,427	6,602,408,265	(34,990,303)

34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING - continued

As at 31 December 2022

	Gross amounts of recognised financial assets after impairment HK$	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$	Net amounts of financial assets presented in the statement of financial position HK$	Related amounts not set off in the statement of financial position: Financial instruments HK$	Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing houses	5,115,687,639	(2,593,095,599)	2,522,592,040	(504,284,125)	(1,014,796,614)	1,003,511,301
Deposit placed with clearing houses	209,290,908	-	209,290,908	-	-	209,290,908
Advances to customers in margin financing	11,353,468,236	-	11,353,468,236	(83,375,683)	(11,270,092,553)	-
Cash collateral on securities borrowed and reverse repurchase agreements	1,051,917,460	-	1,051,917,460	(77,024,174)	(963,974,763)	10,918,523

	Gross amounts of recognised financial liabilities HK$	Gross amounts of recognised financial assets set off in the statement of financial position HK$	Net amount of financial liabilities presented in the statement of financial position HK$	Related amounts not set off in the statement of financial position: Financial instruments HK$	Collateral pledged HK$	Net amount HK$
Financial liabilities						
Accounts payable clients, brokers, dealers and clearing houses	(13,124,495,557)	2,593,095,599	(10,531,399,958)	587,659,808	-	(9,943,740,150)
Financial liabilities held for trading and market making activities	(86,804,917)	-	(86,804,917)	-	-	(86,804,917)
Cash collateral on securities lent and repurchase agreements	(6,108,082,724)	-	(6,108,082,724)	77,024,174	5,650,923,568	(380,134,982)

35. STOCK BORROWING AND LENDING ARRANGEMENT

Under the normal course of business, the Company may enter into stock borrowing and lending arrangements with other financial institutions and its customers. Equity securities may be borrowed from the other financial institutions and lent to its customers for stock lending business.

During the process, the Company receives cash collateral from the customers and also places cash collateral in other financial institutions as collateral.

As at 31 December 2023, the market value of the equity securities borrowed from external financial institutions and the equity securities lent to customers are HK$581 million (31 December 2022: HK$224 million) and HK$1,353 million (31 December 2022: HK$1,852 million) respectively while the cash collateral held by financial institutions and cash collateral received from customers for the stock borrowing and lending are HK$627 million (31 December 2022: HK$228 million) and HK$1,316 million (31 December 2022: HK$1,986 million) respectively.

Under the stock borrowing and lending arrangement, the Company is principally liable to repay the borrowed securities in case of any default by the customers.

As at 31 December 2023, cash collateral on securities lent of HK$170 million (2022: HK$60 million) is received from fellow subsidiaries.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows from financing activities. Interest payments in relation to below liabilities are included in other payables and accruals and presented in operating cash flow.

	Lease liabilities HK$	Subordinated loans HK$	Bank loans HK$	Amounts due to fellow subsidiaries HK$	Total HK$
At 1 January 2023	6,094,666	3,400,000,000	184,629,720	38,766,536	3,629,490,922
Financing cash flows	(4,602,585)	-	(184,629,720)	22,112,467	(167,119,838)
At 31 December 2023	1,492,081	3,400,000,000	-	60,879,003	3,462,371,084

	Lease liabilities HK$	Subordinated loans HK$	Bank loans HK$	Amounts due to fellow subsidiaries HK$	Total HK$
At 1 January 2022	9,983,895	3,400,000,000	78,289,792	1,170,366,024	4,658,639,711
Financing cash flows	(5,527,124)	-	106,339,928	(1,131,599,488)	(1,030,786,684)
New leases entered	1,637,895	-	-	-	1,637,895
At 31 December 2022	6,094,666	3,400,000,000	184,629,720	38,766,536	3,629,490,922

37. CONTINGENCIES

The Company may become, or has become, a subject of litigation or arbitration in relation to its normal course of business. Any situation will be reviewed in conjunction with the Company's legal advisors. The Company considers that the eventual impact on the financial statements in terms of possible outflow of economic benefits will not be significant.