



興證國際金融集團有限公司

China Industrial Securities International Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 6058

Annual Report 2025



**CONNECTING
GLOBAL CAPITAL
CREATE WEALTH
WITH WISDOM**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director

Mr. Xiong Bo (*Chairman*)

Executive Directors

Mr. Lin Dan (*Chief Executive Officer*)

(Appointed on 23 January 2026)

Ms. Zhang Chunjuan (*Chief Executive Officer*)

(Resigned on 23 January 2026)

Independent Non-executive Directors

Ms. Ye Jianfang (Appointed on 23 January 2026)

Mr. Chan Ho Wing (Resigned on 23 January 2026)

Mr. Tian Li

Ms. Du Li

BOARD COMMITTEES

Audit Committee

Ms. Ye Jianfang (*Chairlady*) (Appointed on 23 January 2026)

Mr. Chan Ho Wing (*Chairman*) (Resigned on 23 January 2026)

Mr. Xiong Bo

Mr. Tian Li

Remuneration Committee

Mr. Tian Li (*Chairman*)

Mr. Xiong Bo

Ms. Du Li

Nomination Committee

Mr. Xiong Bo (*Chairman*)

Mr. Tian Li

Ms. Du Li

COMPANY SECRETARY

Ms. Tsang Wing Man

AUTHORISED REPRESENTATIVES

Mr. Lin Dan (Appointed on 23 January 2026)

Ms. Zhang Chunjuan (Resigned on 23 January 2026)

Ms. Tsang Wing Man

AUDITOR

KPMG

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

REGISTERED OFFICE

PO Box 1350

Windward 3, Regatta Office Park

Grand Cayman KY1-1108

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32/F, Infinitus Plaza

199 Des Voeux Road Central

Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Vistra (Cayman) Limited

P.O. Box 31119 Grand Pavilion

Hibiscus Way, 802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Industrial Bank Co., Ltd., Hong Kong Branch

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

CMB Wing Lung Bank Limited

Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch

China Everbright Bank Co., Ltd., Hong Kong Branch

Chiyu Banking Corporation Limited

China Minsheng Bank Corp., Ltd., Hong Kong Branch

Nanyang Commercial Bank, Limited

China Zheshang Bank Co., Ltd, Hong Kong Branch

WEBSITE

www.xyzq.com.hk

STOCK CODE

6058

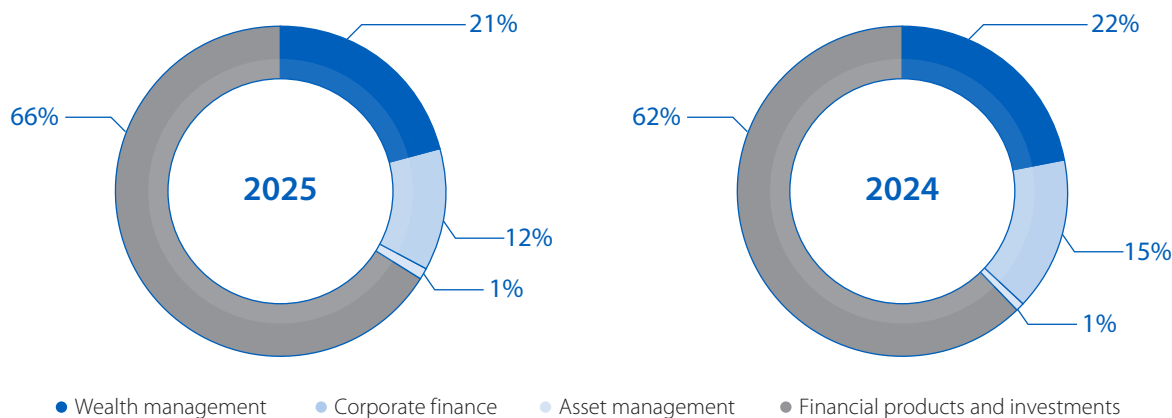
FINANCIAL HIGHLIGHTS

RESULTS

	For the year ended 31 December		
	2025 HK\$	2024 HK\$	Change %
Commission and fee income from brokerage services <i>(note a)</i>	165,152,989	158,857,492	4.0%
Commission and advisory fee income from corporate finance services	108,969,950	130,586,269	-16.6%
Management fee and advisory fee income from asset management services	11,589,011	12,415,661	-6.7%
Interest income from margin financing services	28,290,921	36,170,425	-21.8%
Income from financial products and investments	597,243,097	543,053,774	10.0%
Revenue	911,245,968	881,083,621	3.4%
Profit for the year	167,056,975	108,088,890	54.6%
Basic earnings per share <i>(note b)</i>	0.0302	0.0231	30.9%
Dividend per share	–	0.01	N/A
Net assets per share <i>(note c)</i>	1.11	1.06	4.5%

Notes:

- Such services include securities, futures and options and insurance brokerage services.
- Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares.
- Net assets per share is calculated by dividing the net assets at the end of the year by the number of shares in issue as at the end of the year.



FINANCIAL HIGHLIGHTS

FINANCIAL CONDITIONS

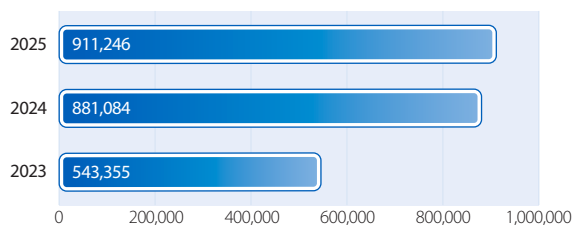
	As at 31 December 2025 HK\$	As at 31 December 2024 HK\$	Change %
Total assets	24,600,339,307	15,732,765,924	56.4%
Equity attributable to holders of the ordinary shares	3,427,856,343	3,236,078,453	5.9%
Equity attributable to holders of other equity instrument	1,000,000,000	1,000,000,000	–
Number of issued shares	4,000,000,000	4,000,000,000	–
Net profit margin	18.3%	12.3%	6.0%
Return on equity (note a)	5.5%	3.3%	2.2%
Return on total assets	0.7%	0.7%	–
Gearing ratio (note b)	378.8%	211.5%	167.3%
Net debt to equity ratio (note c)	329.9%	165.2%	164.7%

Notes:

- Return on equity is calculated by dividing the profit for the year by the weighted average equity attributable to ordinary equity holders of the Company. The weighted average equity attributable to ordinary equity holders of the Company for 2025 was HK\$3,059,464,442 (2024: HK\$3,251,973,561).
- Gearing ratio is calculated by dividing the total of the repurchase agreements, bank borrowings, bonds and outstanding notes as at the end of the year by the total equity as at the end of the year.
- Net debt to equity ratio is calculated by dividing the total of the repurchase agreements, bank borrowings, bonds and outstanding notes less bank balances – general accounts and cash as at the end of the year by the total equity as at the end of the year.

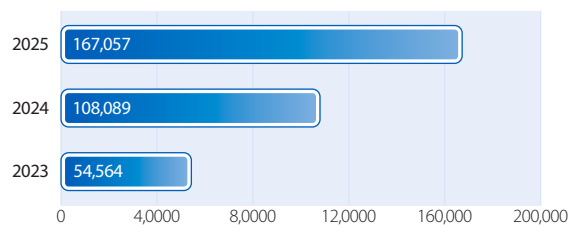
Revenue

(HK\$'000)



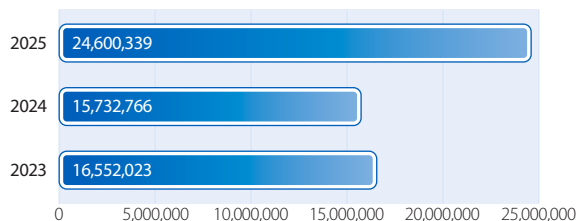
Profit for the year

(HK\$'000)



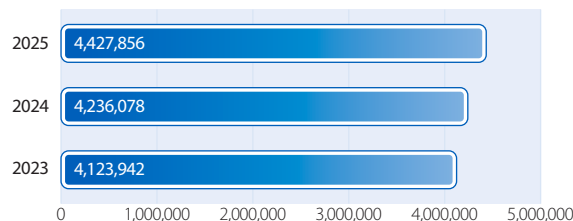
Total assets

(HK\$'000)



Total equity

(HK\$'000)



CHAIRMAN'S STATEMENT

I would like to report to all shareholders that for the year ended 31 December 2025, the Group achieved an operating revenue of HK\$911.25 million (2024: HK\$881.08 million), representing a year-on-year increase of 3.42%; recorded a total cumulative net profit after tax of HK\$167.06 million (2024: HK\$108.09 million), representing a significant year-on-year increase of 54.56%. Despite the complex and evolving international financial environment and competitive pressure within the industry, the Group, through strategic focus and innovation-driven initiatives, attained phased development in cross-border financial services, wealth management and investment banking sectors. Such progress has propelled the revenue and profit to new levels and laid the foundation for long-term high-quality development.

In 2025, the global economic landscape underwent profound changes, geopolitical conflicts continued to weigh on the market, and the global liquidity environment saw a marginal improvement. Hong Kong's position as an international financial centre remained firm, and the Hong Kong stock market displayed strong momentum of recovery and achieved remarkable performance in the global capital markets. In 2025, the Hang Seng Index recorded a cumulative increase of nearly 28%, ranking among the top globally; trading liquidity of Hong Kong stocks improved notably year-on-year, while net southbound capital inflow reached a historic high. During the period, amid a robust recovery in the Hong Kong IPO market, a total of 119 new listings were completed throughout the year, representing a year-on-year increase of 67.61%; total fund raising amounted to HK\$285.84 billion, representing a year-on-year increase of 224.9%, bringing robust impetus to the Hong Kong stock market. Reform of China's capital market continued to deepen, the sound and stable macroeconomic environment was further strengthened, and the "dual circulation" new development pattern was advanced more rapidly. These efforts have effectively elevated Hong Kong's unique position as an international financial centre and injected strong momentum into its long-term prosperity and development.

During the year, as an important platform for Industrial Securities to implement its international strategies, the Group remained steadfast in its mission to "serve national strategies and empower the real economy", with "specialization" and "synergization" as the core focus. The Group made significant strides in developing an international professional platform, charting a clear course amid changes, and forged resilience through challenges. In line with the national strategy of financial opening-up, the Group has deepened its engagement in the reform of the Hong Kong stock market. Through professional expertise, the Group acts as a cross-border capital bridge for Chinese enterprises expanding overseas, and by fostering synergies, the Group effectively integrates internal and external resources to boost cross-border service efficiency; the Group embraced the national "dual carbon" strategy by embedding ESG across its business chain and facilitating the implementation of cross-border green investment and financing; the Group also accelerated the deep integration of artificial intelligence and financial services, achieving notable enhancements operational efficiency and strengthening its digital capabilities.

As a Chinese securities firm based in Hong Kong, the Group has adhered to its mission of "Connecting Global Capital, Create Wealth with Wisdom", continued to uphold the neutral and prudent risk preference, strengthen system construction with professional standards, consolidate the compliance and risk control system through synergistic supervision, and develop a full-chain service system covering cross-border investment banking, asset management and wealth management. By strengthening collaboration and synergy with the head office, the Group has persistently enhanced professional capabilities and service depth, building an efficient channel for Chinese enterprises' global strategies and overseas capital participation in the Mainland market, thereby demonstrating the due responsibility and commitment of a Chinese securities firm.

CHAIRMAN'S STATEMENT

PROSPECTS

Looking ahead, the Group will seize the opportunities arising from the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the upgrading of Hong Kong as an international financial centre, aiming to comprehensively enhance its integrated financial service capabilities. We will position cross-border synergy as the core driver, deeply integrate into the development of the Greater Bay Area and the "Belt and Road" Initiative, and leverage Hong Kong's unique advantages as a global financial hub. We will build a full-chain service system covering cross-border investment and financing, asset management and wealth management, thereby supporting Chinese enterprises in their global expansion while facilitating overseas capital participation in the Mainland market. By strengthening collaboration and coordination with Mainland institutions, we will create a specialized and integrated platform to inject new momentum into the high-quality development of the regional economy.

Meanwhile, guided by the principle of "Compliant Operations and Steady Growth", the Group will continue to build on strengths with professional expertise and break new ground with innovative thinking, thus creating long-term value for shareholders and contributing to the development of Hong Kong as an international financial centre and China's financial opening-up!

APPRECIATIONS

On behalf of the Board, I would like to express my deepest appreciation to all shareholders, customers, stakeholders and employees. We are grateful for the enduring trust from shareholders, the partnership with customers, and the hard work and commitment of employees. We will remain dedicated to creating sustainable value returns for shareholders and bringing positive and meaningful value to society through proactive actions.

Xiong Bo

Chairman of the Board

Hong Kong, 25 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

I. MARKET REVIEW

In 2025, despite the slowdown in global economic growth and various uncertainties such as geopolitical tensions, Hong Kong, as an international financial centre, demonstrated strong resilience, while the Hong Kong stock market delivered outstanding performance among major global stock markets. The Hang Seng Index rose by nearly 28% throughout the year, with a significant increase in market trading activity; the turnover of the spot market increased by 89.5% year-on-year to HK\$249.8 billion; and southbound capital inflow also reached a historic high, injecting sustained momentum into the market. In respect of listing and financing activities, the Hong Kong IPO market experienced a robust recovery as the Hong Kong Stock Exchange implemented multiple measures to attract companies to list in Hong Kong and international investors demonstrated growing demand for core Chinese assets. During the period, a total of 119 new listings were completed, representing a year-on-year increase of 67.61%, and raising a total of HK\$285.843 billion, a year-on-year increase of 224.9%.

II. RESULTS REVIEW

For the year ended 31 December 2025, the Group achieved an operating revenue of HK\$911.25 million (2024: HK\$881.08 million), representing a year-on-year increase of 3.42%. For the year ended 31 December 2025, the net profit after tax of the Group amounted to HK\$167.06 million (2024: HK\$108.09 million), representing a significant year-on-year increase of 54.56% and demonstrating a new level of profitability. The growth in profit was mainly attributable to the increase in revenue from the Group's core businesses of commission and fee income from the brokerage services, financial products and investments.

For the year ended 31 December 2025, the Group's operating revenue from wealth management services, corporate finance services, asset management services, financial products and investments saw a decrease of 0.82%, a decrease of 16.56%, a decrease of 6.68% and an increase of 9.98% year-on-year, respectively.

III. OPERATION REVIEW

1. Upholding the three lines of defence in risk management to consolidate the foundation for the stable development of our business

The Group has kept the business philosophy of "stable operation for sustainable development" (穩健經營、長遠發展), established a three-line defence for risk management, adhered to the development idea of seeking progress while keeping performance stable, and conducted precise identification, careful evaluation, dynamical monitoring, timely response and overall management on various risks, such as market risk, credit risk and liquidity risk in a timely manner in the course of business of the Company to ensure that various risks undertaken by the Group were controlled within a reasonable range that is measurable, controllable, acceptable and without spillover. The Group has endeavoured to build a sound organisational structure, operational management system, quantifiable risk indicator system, reliable information system and professional talent team, so as to facilitate the sound business development in the long run and the achievement of strategic objectives.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Building a synergistic ecosystem to empower high-quality development

In 2025, with synergy as its core strategy, the Group has focused on building a synergistic ecosystem, activated synergistic momentum by leveraging the three-dimensional synergistic system characterized by “shared resources, co-built platforms and interconnected mechanisms” (資源共通、平台共建、機制共聯), and drove all business lines to achieve qualitative and efficiency leaps through systematic resource allocation and in-depth cross-team empowerment within the framework of integrated collaborative services, standardized collaborative products and unified collaborative risk management, thereby empowering high-quality development.

3. Remarkable achievements in environmental, social and governance management, with enhancement in both brand strength and market recognition

In 2025, with green finance as its core driver, the Group has continued to deepen its practices in the environmental, social and governance (ESG) field, and achieved positive progress in advancing sustainable development. During the year, the Group underwrote a total of 60 green and sustainable bonds with a financing scale of over HK\$107.0 billion, significantly higher than that of previous years, demonstrating the Group’s professional execution capabilities in green financial services. With excellent corporate governance, robust green financial practices, active social contribution and financial innovation, the Group has been awarded the BBB grade by Wind ESG Rating for four consecutive years, fully demonstrating the Group’s professional strength and continuous progress in ESG, as well as extensive recognition from professional institutions.

At the same time, the brand strength and market recognition of the Group have been strengthened simultaneously. In 2025, the Group’s stock continued to be included as a constituent of the MSCI Hong Kong Small Cap Index, which has further consolidated the Group’s offshore fund raising capabilities, and enhanced its visibility and influence in the international capital markets. The Group has been rated “BBB” by Fitch for two consecutive years with a “Stable” outlook, fully demonstrating its robust financial fundamentals and resilience to risks. In addition, the Group also won multiple prestigious honours during the year, including the Bloomberg Businessweek’s Financial Institution Award, China Securities Golden Bauhinia Awards, Hong Kong Green and Sustainable Finance Awards and other corporate level awards, demonstrating the high level of market recognition for the Group’s comprehensive strength and effectively expanding brand reputation in the market and industry influence.

IV. BUSINESS REVIEW

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

Wealth management

For the year ended 31 December 2025, the Group's revenue from wealth management business amounted to HK\$193.44 million (2024: HK\$195.03 million), representing a year-on-year decrease of 0.82%. Among which, commission and fee income from the brokerage services amounted to HK\$165.15 million (2024: HK\$158.86 million), representing a year-on-year increase of 3.96%. In 2025, the Group's trading volume of Hong Kong stocks recorded a year-on-year increase of 47% to HK\$72.3 billion, delivering an outstanding performance. The product portfolio for wealth management business has been continuously expanded, with a total of 125 products launched. By offering products with diversified asset classes and currency allocations, the Group has effectively met clients' cross-border wealth management needs. During the year, sales volume of various financial products reached approximately HK\$1.8 billion, representing a year-on-year increase of 5%. Meanwhile, the Group has actively deepened its participation in the Cross-boundary Wealth Management Connect Scheme, with a substantial year-on-year increase of 600% in the number of new accounts opened, facilitating financial market connectivity in the Greater Bay Area. For institutional client services, the Group focused on developing top-tier institutional clients, deepened investment research empowerment, built a differentiated service system, continuously optimized client structure, and enhanced business competitiveness and development resilience.

Corporate finance

For the year ended 31 December 2025, the Group's revenue from corporate finance business amounted to HK\$108.97 million (2024: HK\$130.59 million), representing a year-on-year decrease of 16.56%. Among which, income from sponsor fee amounted to HK\$3.99 million (2024: HK\$4.41 million) and commission income from placing, underwriting and sub-underwriting of debt securities amounted to HK\$92.80 million (2024: HK\$113.21 million). In 2025, the Group ranked 8th among Chinese securities firms in Hong Kong in respect of the number of equity underwriting deals, which was nine place higher than last year, with a substantial year-on-year increase of 250% in the number of underwriting. As the lead sponsor, overall coordinator, global coordinator, bookrunner and lead manager for the initial public offering of Impression Dahongpao Co., Ltd. (Stock Code: 2695.HK), the Group successfully assisted the company in becoming the first listed company specializing in landscape live performance on the Hong Kong Stock Exchange.

The Group's bond underwriting business has maintained steady growth, with its market competitiveness and regional advantages further consolidated and enhanced. The Group ranked 7th place in terms of underwriting amount of bond underwriting business among Chinese securities firms in Hong Kong, which was two place higher than last year. In Fujian Province's offshore bond underwriting market, the Group retained its top position. In 2025, the Group received multiple prestigious external awards including Bond Excellence Award in the securities sector by Bloomberg Businessweek's "Financial Institutions 2025", effectively enhancing the Company's brand image.

MANAGEMENT DISCUSSION AND ANALYSIS

Asset management

For the year ended 31 December 2025, the Group's revenue from asset management business amounted to HK\$11.59 million (2024: HK\$12.42 million), representing a year-on-year decrease of 6.68%. During the reporting period, the Group achieved a leapfrog growth in assets under management through strategic expansion of its institutional client dedicated account business, with a year-on-year increase of 67% to approximately HK\$9.3 billion, significantly optimizing its business structure. The Group's core equity asset management product, China Core Asset Fund, delivered consistently outstanding performance, with an annual return of 27.85%, outperforming the return of the Hang Seng China Enterprises Index. The Group continued to deepen its core competence of investment research integration and build a diversified product matrix to provide clients with more comprehensive asset allocation options.

Financial products and investments

For the year ended 31 December 2025, the Group's revenue from financial products and investments amounted to HK\$597.24 million (2024: HK\$543.05 million), representing a year-on-year increase of 9.98%. Under the neutral and moderate risk preference, the Group strictly controlled credit risk, actively adjusted its strategy according to the market situation, seized the market opportunities, proactively expanded its investment scale amid the rate-cutting cycle while diversifying product allocations through optimized position structure and duration management, thereby enhancing returns under controlled risk parameters. The Group's fixed income investments delivered particularly outstanding performance, with regular fixed income investment yields significantly outperforming the Bloomberg Barclays China US Dollar Bond Index, while maintaining a Sharpe ratio consistently above 1. Equity investments also achieved an excellent return exceeding 20%. Through prudent risk management and precise market judgment, the Group has achieved steady growth in investment scale while simultaneously enhancing both revenue scale and return quality, fully demonstrating the professionalism and stability of the Group's investment capabilities.

FINANCIAL POSITION

As at 31 December 2025, the total assets of the Group were HK\$24,600.34 million (31 December 2024: HK\$15,732.77 million). As at 31 December 2025, the total liabilities of the Group amounted to HK\$20,172.48 million (31 December 2024: HK\$11,496.69 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2025, the net current assets of the Group were HK\$2,437.53 million (31 December 2024: HK\$4,452.48 million). As at 31 December 2025, the current ratio of the Group (defined as current assets divided by current liabilities as at the end of the respective financial year) is at 1.1 times (31 December 2024: 1.4 times).

For the year ended 31 December 2025, the net cash inflow of the Group was HK\$204.57 million (31 December 2024: inflow of HK\$69.14 million), and the bank balance of the Group as at 31 December 2025 was HK\$2,165.86 million (31 December 2024: HK\$1,961.29 million).

As at 31 December 2025, the total bank borrowings of the Group were HK\$5,156.13 million (31 December 2024: HK\$2,621.31 million).

As at 31 December 2025, the Group had outstanding bonds of HK\$650.57 million (31 December 2024: HK\$649.74 million) and outstanding notes of HK\$8.41 million (31 December 2024: HK\$60.96 million). As at 31 December 2025, the gearing ratio of the Group (defined as the sum of repurchase agreements, bank borrowings, outstanding bonds and outstanding notes divided by total equity) increased by 167% to 379% (31 December 2024: 212%).

Total equity attributable to holders of ordinary shares of the Company amounted to HK\$3,427.86 million as at 31 December 2025 (31 December 2024: HK\$3,236.08 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLAN

Looking ahead to 2026, the global economy will continue to advance under multiple pressures. Increased volatility in financial markets, stagflation risks commonly faced by developed economies, the geopolitical situation entering a highly volatile phase, and the global trade environment showing a weak recovery trend will suppress the growth momentum of the global economy and exacerbate the uncertainty of the future market.

The Group will continue to adhere to the principle of “stable operation and progress amidst stability”, secure opportunities such as the Cross-boundary Wealth Management Connect Scheme and mutual recognition of funds, carry out in-depth transformation and upgrade of its wealth management business; strengthen technological R&D and product reserves and continuously launch innovative products to better meet clients’ diverse needs; leverage on brand and professional advantages for the bond underwriting business to consolidate and enhance its leading market position, while capturing opportunities arising from the Hong Kong stock market and focusing on hot sectors to strengthen synergies and competitiveness in equity financing; stick to the bottom line of compliance and risk control, and uphold the philosophy of green financial services, optimize resource allocation, build a professional, market-oriented and international talent pool, further deepen synergies between domestic and international operations within the large investment banking system, empower global clients in multiple dimensions with comprehensive financial services, actively support Chinese enterprises to “go global”, and strive to play a more important role in the construction of the Belt and Road Initiative.

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

For the year ended 31 December 2025, the Group had no significant investments, material acquisition or disposal of subsidiaries and affiliated companies.

PLEDGE OF ASSETS BY THE GROUP

For the year ended 31 December 2025, the Group’s assets pledged were mainly debt securities pledged as collaterals for repurchase agreements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2025, the Group had 195 full-time employees including the Directors (31 December 2024: 209 full-time employees including the Directors). Total remuneration for the year ended 31 December 2025 amounted to HK\$196.97 million (2024: HK\$238.85 million). The remuneration policy will be reviewed by the Group from time to time in accordance with market practice, and the bonus will be distributed with reference to individual performance appraisal, prevailing market condition and the financial performance of the Group. Other employee benefits include contributions to the mandatory provident fund scheme and medical care insurance.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities for the year ended 31 December 2025 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, the Board was not aware of any significant events related to the business or financial performance of the Group after the reporting period.

RISK MANAGEMENT

Risk management framework and mechanism

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk

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

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

Liquidity risk

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market risk

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

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

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

Operational risk

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Compliance and legal risks

The Group has proactively promoted the establishment of a stable and sound compliance and legal risk management framework, formulated relevant policies, processes and templates, kept a close eye on the prevailing laws and regulations relating to business operations, and made timely adjustments and improvements to the internal compliance and legal risk management policies and processes based on the changes of external laws and regulations to ensure that the Company's business operations comply with the laws and regulations as amended from time to time. The Group has set up a compliance management structure and established three lines of defence for compliance management, of which the legal and compliance department takes the lead in formulating the compliance management policies and procedures of the Group, providing compliance advice for various business plans and affairs, closely monitoring the compliance operation of the licensed businesses of the Group, and supervising all business segments to strictly implement relevant regulatory requirements. Meanwhile, in order to foster a sound compliance culture atmosphere and strengthen compliance awareness, the legal and compliance department has taken the lead in organising legal and compliance trainings for employees from time to time and provided internal guidance for the latest regulatory updates.

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

Reputation risk

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Xiong Bo (“Mr. Xiong”), aged 48, was appointed as a non-executive Director and the chairman of the Board, the chairman of nomination committee and a member of each of the audit committee and the remuneration committee under the Board on 4 March 2024. Mr. Xiong is currently the director and chief executive officer of Industrial Securities (Hong Kong) Financial Holdings Limited (“Industrial Securities Hong Kong”), the controlling shareholder of the Company (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)), the director of IS (Hong Kong) Investment Limited and the chairman of the board of directors and chief executive officer of Industrial Securities (Singapore) Financial Holdings Pte. Ltd., and the director of Industrial Securities (Singapore) Pte. Ltd. and Industrial Securities (Singapore) Corporate Advisory Pte. Ltd., which are the subsidiaries of Industrial Securities Hong Kong. Mr. Xiong has over 24 years of experience in the financial services industry.

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

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

EXECUTIVE DIRECTOR

Mr. Lin Dan (“Mr. Lin”), aged 46, was appointed as an executive Director and the chief executive officer on 23 January 2026. Mr. Lin was appointed as a director of various subsidiaries of the Group on 7 January 2026. He was appointed as a deputy chief executive officer of Industrial Securities Hong Kong, the controlling shareholder of the Company (as defined in the Listing Rules) and a director, manager and legal representative of Industrial Securities Consultancy Service (Shenzhen) Company Limited* on 9 January 2026. Currently, Mr. Lin is also a director of Intelligent Capital Company Limited and manager of Artland International Company Limited LLC and 118 East 59th Street Realty LLC.

Mr. Lin was deputy director of the Futures Supervision Division and deputy director of the Party Affairs Office (Discipline Inspection and Supervision Office) of the Fujian Regulatory Bureau of the China Securities Regulatory Commission. He joined Industrial Securities, the parent of the Company, in 2014. He was deputy general manager of Industrial Securities Shanghai Securities Asset Management Branch, vice president, chief risk officer and chief compliance officer of Industrial Securities Asset Management Co., Ltd. (a subsidiary of Industrial Securities), vice president and chief compliance and risk management officer of Industrial Securities Investment Management Co., Ltd. (a subsidiary of Industrial Securities), and deputy general manager of the audit department of Industrial Securities. Mr. Lin has over 20 years of experience in the financial industry.

Mr. Lin obtained Bachelor of Management and Bachelor of Laws degrees from Zhongnan University of Economics and Law in June 2002. He is also a Certified Public Accountant in PRC.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ye Jianfang (“Ms. Ye”), aged 59, was appointed as an independent non-executive Director and the chairlady of audit committee under the Board on 23 January 2026. Ms. Ye has worked at Shanghai University of Finance and Economics since 1988, and successively served as teaching assistant, lecturer and associate professor at school of accountancy of Shanghai University of Finance and Economics, and a member of the Third and the Fourth Enterprise Accounting Standards Advisory Committee of the Ministry of Finance of China. Ms. Ye is currently a professor and a doctoral advisor of school of accountancy of Shanghai University of Finance and Economics. Ms. Ye also serves as deputy director of the Women Directors Committee of China Association for Public Companies, a member of editorial committee of Journal of Accounting Literature, an independent director of Shanghai Pudong Development Bank Co., Ltd. (a company listed on the Shanghai Stock Exchange (“SSE”), stock code: 600000), Shanghai Chlor—Alkali Chemical Co., Ltd. (a company listed on the SSE, stock code: 600618), China Merchants Shekou Industrial Zone Holdings Co.,Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 001979) and CCB Life Insurance Company Limited.

Ms. Ye obtained her bachelor degree in Accounting from Shanghai University of Finance and Economics in July 1988, her master degree in Accounting from Shanghai University of Finance and Economics in March 1995, and her doctor degree in Accounting from Shanghai University of Finance and Economics in March 2004. She is a member of certified public accountant association of the Chinese Institute of Certified Public Accountants and CPA Australia.

Mr. Tian Li (“Mr. Tian”), aged 57, was appointed as an independent non-executive Director on 27 July 2016 and the chairman of remuneration committee and a member of audit committee and nomination committee under the Board on 30 September 2016. Mr. Tian has over 24 years of experience in the financial services industry. Currently, Mr. Tian is a director of Shanghai Tuhong Investment Management Company Limited* (上海圖鴻投資管理有限公司), a company primarily engages in strategic investment, asset management, and the provision of corporate advisory services. He is also an executive director of New York Institute of Finance Inc., an executive director and chief executive officer of NYIF International Holding LLC, a legal representative of NYIF Information Technology Development Co., Ltd., an independent non-executive director of Bank of Jiujiang Co., Ltd.* (九江銀行股份有限公司), and a managing director of Shanghai Li Ding Information Technology Development Limited* (上海力鼎信息科技發展有限公司) and Shanghai Hui Sheng Equity Investment Management Limited* (上海惠盛股權投資管理有限公司) respectively. Mr. Tian has served as an independent director of China Industrial International Trust Limited* (興業國際信託有限公司) in the last three years. Mr. Tian’s previous experiences include employment with Bank of China International Limited as group executive director and head of financial institutions from January 2002 to October 2004.

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

Ms. Du Li (“Ms. Du”), aged 53, was appointed as an independent non-executive Director and a member of remuneration committee and nomination committee under the Board on 16 May 2025. Ms. Du has work at Fudan University since 1996, and successively served as teaching assistant, lecturer, associate professor, deputy head and executive deputy head of the department of public economics at school of economics of Fudan University. Ms. Du is currently a professor and a doctoral advisor of school of economics of Fudan University. Ms. Du also serves as a member of the sub-committee of evaluation for bachelor of economics of Fudan University, academic director of master of taxation program, and executive director of center for public economy research. Ms. Du’s primary research areas include public finance, taxation, and finance, with over 25 years of research experience in finance-related fields.

Ms. Du obtained a bachelor degree in economics in international finance, from Fudan University in July 1993, and obtained a master degree in international finance from Fudan University in July 1996 and a doctor degree in economics in Finance from Fudan University in July 2002.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wang Li

Chief Financial Officer

Mr. Wang Li (“Mr. Wang”), aged 44, was appointed as the chief financial officer of the Company on 5 December 2024. Mr. Wang is also a director of various subsidiaries of the Group. Mr. Wang joined the Company in 2020. He was the financial controller of TZ (Taizhong) Hong Kong International Limited* (太重香港國際有限公司), the director of the treasury department of Fosun International Limited (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 00656) and the head of finance department of Fosun Hani Securities Limited. Mr. Wang was the head of finance department and is currently the head of board office of the Company, as well as the head of planning and finance department of Industrial Securities (Hong Kong).

Mr. Wang obtained a bachelor degree in accounting from the Macquarie University in Australia and a master degree in finance from the University of Sydney. He is a fellow member of CPA Australia.

Mr. Xie Yuti

Chief Compliance and Risk Officer

Mr. Xie Yuti (“Mr. Xie”), aged 48, was appointed as the chief compliance and risk officer of the Company on 16 January 2025. Mr. Xie joined Industrial Securities in 2006. He was a director of division one of audit department, a director of on-site auditing division one of audit department and a director of headquarter auditing division of audit department of Industrial Securities. Mr. Xie has over 25 years of experience in the financial services industry.

Mr. Xie obtained a bachelor degree in computer science and technology from the Xiamen University, the PRC in 2000.

* For identification purpose only

REPORT OF THE BOARD OF DIRECTORS

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2025 (the “Year”).

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Group as at that date are set out in the consolidated statement of profit or loss and other comprehensive income on pages 50 to 51 of this report.

The Board did not recommend any payment of a final dividend for the year ended 31 December 2025 (2024: a final dividend of HK\$0.01 per share).

SHARE CAPITAL

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

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 54 and note 47 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the distributable reserves of the Company amounted to approximately HK\$2,863,538,964 (2024: HK\$2,826,781,167) under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

PROPERTY AND EQUIPMENT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL SUMMARY

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

DIRECTORS

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

NON-EXECUTIVE DIRECTOR:

Mr. Xiong Bo (*Chairman*)

EXECUTIVE DIRECTORS:

Mr. Lin Dan (*Chief Executive Officer*) (Appointed on 23 January 2026)

Ms. Zhang Chunjuan (*Chief Executive Officer*) (Resigned on 23 January 2026)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Ms. Ye Jianfang (Appointed on 23 January 2026)

Mr. Chan Ho Wing (Appointed on 16 May 2025 and resigned on 23 January 2026)

Ms. Hong Ying (Resigned on 16 May 2025)

Mr. Tian Li

Ms. Du Li (Appointed on 16 May 2025)

Mr. Qin Shuo (Resigned on 16 May 2025)

Pursuant to articles 108(a) and (b) of articles of association of the Company (the "Articles of Association"), Mr. Xiong Bo and Ms. Du Li shall retire from office at the forthcoming AGM. Mr. Xiong Bo being eligible, will offer himself for re-election, and Ms. Du Li will not offer herself for re-election in order to devote more time to her other personal commitment.

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

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2025 interim report of the Company are set out below:

Director	Detail of change
Xiong Bo	Resigned as a director of Intelligent Capital Company Limited and manager of Artland International Company Limited LLC and 118 East 59th Street Realty LLC on 7 January 2026

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' EMOLUMENTS

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

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

As at 31 December 2025, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company (the "Chief Executive") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code") were as follows:

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

Name of Directors	Capacity/Nature	Number of Shares held	Approximate percentage
Xiong Bo	Beneficial owner	2,058,531	0.05%
Zhang Chunjuan (Resigned on 23 January 2026)	Beneficial owner	1,004,000	0.03%

Save as disclosed above, as at 31 December 2025, none of the Directors or Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Group and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

REPORT OF THE BOARD OF DIRECTORS

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

So far as the Directors and the Chief Executive are aware, as at 31 December 2025, the following persons/corporations (other than a Director or the Chief Executive of the Company) had interests or short positions in the Shares and the underlying Shares, which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of Interest	No. of Shares held	Approximate percentage of Shareholding
Industrial Securities (Hong Kong) Financial Holdings Limited	Beneficial owner	2,404,191,644	60.10%
Industrial Securities (<i>Note 1</i>)	Interest of controlled corporation	2,404,191,644	60.10%
Harvest Capital Management Co., Ltd (<i>Note 2</i>)	Investment manager	293,232,000	7.33%
Harvest Fund Management Co., Ltd. (<i>Note 2</i>)	Interest of controlled corporation	293,232,000	7.33%
China Credit Trust Co., Ltd (<i>Note 2</i>)	Interest of controlled corporation	293,232,000	7.33%
Hao Kang Financial Holdings (Group) Limited (<i>Note 3</i>)	Beneficial owner	205,853,089	5.15%
Apex Trade Holdings Limited (<i>Note 3</i>)	Interest of controlled corporation	205,853,089	5.15%
Chen Jiaquan (<i>Note 3</i>)	Interest of controlled corporation	205,853,089	5.15%
Yang Zhiying (<i>Note 4</i>)	Interest of spouse	205,853,089	5.15%

Notes:

- Industrial Securities holds the entire issued share capital of Industrial Securities (Hong Kong) Financial Holdings Limited. Therefore, Industrial Securities is deemed or taken to be interested in all the Shares held by Industrial Securities (Hong Kong) Financial Holdings Limited for the purposes of the SFO.
- China Credit Trust Co., Ltd holds 40% of the entire issued share capital of Harvest Fund Management Co., Ltd., and Harvest Fund Management Co., Ltd. holds 75% of the entire issued share capital of Harvest Capital Management Co., Ltd. Therefore, China Credit Trust Co., Ltd and Harvest Fund Management Co., Ltd. are deemed or taken to be interested in all the Shares held by Harvest Capital Management Co., Ltd for the purposes of the SFO.

REPORT OF THE BOARD OF DIRECTORS

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

Save as disclosed above, as at 31 December 2025, the Company has not been notified by any persons, other than the Directors and the Chief Executive who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

COMPETING INTERESTS

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

MANAGEMENT CONTRACTS

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

REMUNERATION POLICY

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

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

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

REPORT OF THE BOARD OF DIRECTORS

CONTINUING DISCLOSURE OBLIGATION UNDER RULE 13.21 OF THE LISTING RULES

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

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

On 28 October 2024, the Company as borrower entered into a facility letter (the “Facility Letter”) with a bank as lender (the “Lender”), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$800,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to remain as the single largest shareholder of the Company.

On 24 January 2025, the Company as borrower entered into a facility letter (the “Facility Letter”) with a bank as lender (the “Lender”), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to CNY50,000,000 (or its equivalent amount in any other currencies) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to remain as the ultimate holding company of the Company.

On 12 March 2025, the Company as borrower entered into a facility letter (the “Facility Letter”) with a bank as lender (the “Lender”) to renew the facility, pursuant to which the Lender has agreed to make available uncommitted bank facilities in an aggregate amount of up to HK\$3,000,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own and maintain (directly or indirectly) at least 51% of the issued share capital of the Company.

On 24 March 2025, the Company as borrower entered into a facility letter (the “Facility Letter”) with a bank as lender (the “Lender”), pursuant to which the Lender has agreed to make available an offshore revolving loan facility in an aggregate amount of up to US\$50,000,000 (or its equivalent in HKD). As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to maintain (directly or indirectly) management control over the Company.

REPORT OF THE BOARD OF DIRECTORS

On 2 April 2025, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available a revolving short-term loan facility in an aggregate amount of up to HK\$100,000,000 (or its equivalent in any other currency) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own (directly or indirectly) at least 51% issued share capital of the Company.

On 30 May 2025, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$300,000,000 (or its equivalent in USD or CNY) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to hold directly or indirectly not less than 51% of the issued share capital of the Company and maintain the absolute management control over the Company.

On 16 June 2025, the Company as borrower entered into a facility agreement (the "Facility Agreement") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$70,000,000 (or its equivalent in HKD or CNY) to the Company. As a condition of the Facility Agreement, it shall be an event of default if Industrial Securities ceases to remain as the single largest shareholder of the Company and maintain the management control over the Company.

On 20 June 2025, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$300,000,000 (or its equivalent in USD or CNY) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to be the single largest shareholder of the Company and hold not less than 51% of the issued share capital of the Company.

On 23 July 2025, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$40,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own (whether directly or indirectly) at least 51 % of the issued share capital of the Company and maintain the management control over the Company.

On 31 July 2025, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$65,000,000 (or its equivalent in HKD or RMB or EUR or JPY) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to be the (direct or indirect) legal and beneficial owner of at least 51% of the issued share capital of the Company and have the power to (directly or indirectly) exercise control over the Company.

On 24 October 2025, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$500,000,000 to the Company. The validity period of the Facility Letter is subject to the Lender's annual review. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to be the controlling shareholder of the Company.

REPORT OF THE BOARD OF DIRECTORS

On 2 December 2025, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$35,000,000 to the Company. The termination date of the Facility Letter is the date falling 12 months after the date of execution of the Facility Letter or such other date as the Lender may from time to time in its sole discretion determine by reasonable prior notice/subject to annual review by the Lender. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own (either directly or indirectly) at least 51% of the issued share capital of the Company.

On 19 December 2025, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted short term loan facility in an aggregate amount of up to HK\$200,000,000 (or its equivalent in USD or RMB) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to maintain at all time directly or indirectly at least 51% of the issued share capital of the Company.

On 6 February 2026, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$500,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to maintain directly or indirectly not less than 51% of the issued share capital of the Company and maintain the absolute management control over the Company.

On 11 February 2026, the Company as borrower (the "Borrower") entered into a 364-day facility agreement (the "Facility Agreement") with certain financial institutions as lenders for a revolving facility of US\$258,000,000 and HK\$2,000,000,000. Under the terms of the Facility Agreement, it shall be an event of default if Industrial Securities ceases the (direct or indirect) legal and beneficial owner of at least 51% of the issued share capital of the Company.

On 26 February 2026, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$100,000,000 (or its equivalent in HKD or RMB or EUR or JPY) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to be the (direct or indirect) legal and beneficial owner of at least 51% of the issued share capital of the Company and have the power to (directly or indirectly) exercise control over the Company.

On 5 March 2026, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available a revolving loan facility in an aggregate amount of up to RMB400,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own (directly or indirectly) at least 51% of the issued share capital of the Company.

On 24 March 2026, the Company as borrower entered into a facility letter (the "Facility Letter") with Standard Chartered Bank (Hong Kong) Limited as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted loan facility in an aggregate amount of up to US\$30,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities does not to maintain its controlling position and management control over the Company.

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

CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

On 15 November 2024, the Company and Industrial Securities (Shenzhen) entered into the 2024 Service Agreement to renew the 2021 Service Agreement for a further term of three years from 1 January 2025 to 31 December 2027. The proposed cap amounts for the provision of the above-mentioned services by Industrial Securities (Shenzhen) to the Company are HK\$32 million, HK\$46 million and HK\$62 million for each of the three years ending 31 December 2027, respectively.

For the year ended 31 December 2025, the Group incurred a consultancy service fee of HK\$6,501,639 to Industrial Securities (Shenzhen).

* For identification purpose only

REPORT OF THE BOARD OF DIRECTORS

The relevant pricing policy and guideline stated in the circular of the Company dated 30 November 2021 have been complied with when determining the transaction price and terms. For the year ended 31 December 2025, Industrial Securities (Hong Kong) Financial Holdings Limited, as the controlling shareholder of the Company, holds 60.10% interest of the Company. Industrial Securities (Hong Kong) Financial Holdings Limited holds 100% interest of Industrial Securities (Shenzhen). Therefore, Industrial Securities (Hong Kong) Financial Holdings Limited is a connected person to the Company and transactions between the Company and the subsidiaries and/or associates of Industrial Securities (Hong Kong) Financial Holdings Limited constitute connected transactions of the Company under the Listing Rules.

Reference is made to the announcement of the Company dated 15 November 2024 in relation to, among other things, the renewal of the 2021 Service Agreement for a further term of three years from 1 January 2025 to 31 December 2027 and entering into the Derivatives Transactions Framework Agreement in relation to the Principal-to-principal Derivatives Transactions for a term of three years from 1 January 2025 to 31 December 2027. Reference is also made to the announcement of the Company dated 2 December 2024 in relation to the Termination of the Derivatives Transactions Framework Agreement. Pursuant to the Derivatives Transactions Framework Agreement, the Derivatives Transactions Framework Agreement shall be terminated before the expiration of its full term upon notice in writing by either party. On 2 December 2024, Industrial Securities (Hong Kong) delivered a notice to the Company that the Derivatives Transactions Framework Agreement shall be terminated with immediate effect due to the current capital market conditions. Both Industrial Securities (Hong Kong) and the Company agree that after the termination of the Derivatives Transactions Framework Agreement, neither party shall be required to have any further obligations or responsibilities under the Derivatives Transactions Framework Agreement or liability of any nature or amount whatsoever to each other. The Board considers that the termination of the Derivatives Transactions Framework Agreement will not have any material adverse impact on the financial position and operation of the Group.

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

The independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2025 and confirmed that they were entered into in the ordinary and usual course of business of the Group on normal commercial terms and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

REPORT OF THE BOARD OF DIRECTORS

RELATED PARTY TRANSACTIONS

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

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

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

DEED OF NON-COMPETITION

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

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

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

DONATIONS

During the Year, the Group had no charitable donations (2024: HK\$11,008).

REPORT OF THE BOARD OF DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

The record date for the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the AGM is Tuesday, 19 May 2026. For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Thursday, 14 May 2026 to Tuesday, 19 May 2026, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 13 May 2026.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company and its subsidiaries during the Year (including sales of treasury shares (as defined in the Listing Rules)).

During the Year, the Company did not hold any treasury shares.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICY

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

REPORT OF THE BOARD OF DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, there has been a sufficient public float of the issued Shares as required under the Listing Rules (i.e. at 25% of the issued Shares in public hands) throughout the year ended 31 December 2025 and up to the date of this report.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2025 have been reviewed by the audit committee of the Company.

AUDITOR

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

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

On behalf of the Board

Xiong Bo
Chairman

Hong Kong, 25 March 2026

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

BOARD OF DIRECTORS

Responsibilities

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

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

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

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

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

Composition

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

CORPORATE GOVERNANCE REPORT

Non-executive Director

Mr. Xiong Bo (*Chairman*)

Executive Director

Mr. Lin Dan (*Chief Executive Officer*)

Independent non-executive Directors

Ms. Ye Jianfang

Mr. Tian Li

Ms. Du Li

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

BOARD MEETINGS

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

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

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

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

Name	Number of meetings attended/held		
	Board Meetings ¹	Annual General Meeting ¹	Extraordinary General Meeting ¹
Non-executive Director:			
Mr. Xiong Bo (<i>Chairman</i>)	21/21	1/1	0/0
Executive Directors:			
Mr. Lin Dan (<i>Chief Executive Officer</i>) (Appointed on 23 January 2026)	0/0	0/0	0/0
Ms. Zhang Chunjuan (<i>Chief Executive Officer</i>) (Resigned on 23 January 2026)	21/21	1/1	0/0

CORPORATE GOVERNANCE REPORT

Name	Number of meetings attended/held		
	Board Meetings ¹	Annual General Meeting ¹	Extraordinary General Meeting ¹
Independent Non-executive Directors:			
Ms. Ye Jianfang (Appointed on 23 January 2026)	0/0	0/0	0/0
Mr. Chan Ho Wing (Appointed on 16 May 2025 and resigned on 23 January 2026)	12/12	0/0	0/0
Ms. Hong Ying (Resigned on 16 May 2025)	9/9	1/1	0/0
Mr. Tian Li	21/21	1/1	0/0
Ms. Du Li (Appointed on 16 May 2025)	12/12	1/1	0/0
Mr. Qin Shuo (Resigned on 16 May 2025)	9/9	1/1	0/0

Notes:

(1) The denominator represents the number of Board meetings and general meetings held during the tenure of each Director in the financial year ended 31 December 2025.

CORPORATE GOVERNANCE FUNCTIONS

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

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

BOARD DIVERSITY POLICY

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

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

CORPORATE GOVERNANCE REPORT

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

During the Year, the diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group. 60% of Directors and 55.5% of total workforce of the Group were male. 40% of Directors and 44.5% of total workforce of the Group were female.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Ms. Zhang Chunjuan resigned as the chief executive officer on 23 January 2026. Currently, Mr. Xiong Bo is the chairman and Mr. Lin Dan is the chief executive officer. There is a clear division of responsibilities between the chairman and the chief executive officer in that the chairman bears primary responsibility for the effective functioning of the Board, ensuring the establishment of business strategies and sound corporate governance practices of the Group, while the chief executive officer bears executive responsibility for implementing the Board's approved strategies and policies and supervising the Group's day-to-day business operations.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In order to refresh and strengthen Directors' knowledge of corporate governance practices and provides them with updates on the latest developments of relevant policies, rules and regulations, the Company provides the latest information and reading materials to Directors relating to the Listing Rules and other applicable laws, rules and regulations, news on corporate governance issues on a timely basis. To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills.

Mr. Chan Ho Wing (appointed on 16 May 2025) and Ms. Du Li (appointed on 16 May 2025) had confirmed that, on 9 May 2025, they obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to The Stock Exchange of Hong Kong Limited and he understood his obligations as a director of a listed issuer pursuant to Rule 3.09D of the Listing Rules.

CORPORATE GOVERNANCE REPORT

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

	Laws and regulations	Corporate governance	Scope Risk management and internal Control	The Group's business	Directors' responsibilities
Non-executive Director					
Mr. Xiong Bo	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)
Executive Director					
Ms. Zhang Chunjuan (Resigned on 23 January 2026)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)
Independent Non-executive Directors					
Mr. Chan Ho Wing (Appointed on 16 May 2025 and resigned on 23 January 2026)	✓ (Note 1, 2)	✓ (Note 1, 2)	✓ (Note 1, 2)	✓ (Note 1)	✓ (Note 1, 2)
Ms. Hong Ying (Resigned on 16 May 2025)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)
Mr. Tian Li	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)
Ms. Du Li (Appointed on 16 May 2025)	✓ (Note 1, 2)	✓ (Note 1, 2)	✓ (Note 1, 2)	✓ (Note 1)	✓ (Note 1)
Mr. Qin Shuo (Resigned on 16 May 2025)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)	✓ (Note 1)

Notes:

1. by self-study
2. trainings by external provider

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

EMOLUMENT OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

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

Emolument bands	Number of individuals
HK\$2,000,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$4,000,000	1

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

AUDITOR'S REMUNERATION

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

Services rendered	Fee paid/payable HK\$
Audit services	3,620,000
Non-audit services	
– Tax consultation services	370,100

AUDIT COMMITTEE

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

The primary duties of the Audit Committee include the following:

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

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

- (i) reviewed the Group's 2024 annual results and Annual Report and the Group's 2025 interim results and Interim Report and made recommendations to the Board for approval;
- (ii) reviewed and discussed with the auditor to ensure that the Group's financial statements had been prepared in accordance with the accounting principles
- (iii) reviewed the audit fees and the fees for non-audit services payable to the independent auditor;
- (iv) reviewed the policy on provision of non-assurance services by the auditor;
- (v) approved the audit plan for the Year; and
- (vi) reviewed the financial reporting system, risk management and the internal control system of the Group.

CORPORATE GOVERNANCE REPORT

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

Name	Number of meetings of the Audit Committee attended/held*
Mr. Chan Ho Wing (<i>Chairman</i>) (Appointed on 16 May 2025 and resigned on 23 January 2026)	2/2
Ms. Hong Ying (<i>Chairlady</i>) (Resigned on 16 May 2025)	1/1
Mr. Xiong Bo	2/2
Mr. Tian Li	2/2

* The denominator represents the number of the Audit Committee meetings held during the tenure of each Director in the financial year ended 31 December 2025.

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee include the following:

- to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company; and
- to ensure that none of the Directors determine their own remuneration.

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

- reviewed the remuneration packages of the Directors;
- made recommendation to the Board on the service contract of new independent non-executive Director;
- made recommendation to the Board on the adjusting the remuneration of chief compliance and risk officer of the Company;
- made recommendation to the Board on the adjusting the remuneration of executive Director;
- made recommendation to the Board on the renewal of the service contract of independent non-executive Director; and
- made recommendation to the Board on the service contract of new executive Director and independent non-executive Director.

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

Name	Number of meetings of the Remuneration Committee attended/held*
Mr. Tian Li (<i>Chairman</i>)	5/5
Mr. Xiong Bo	5/5
Ms. Du Li (Appointed on 16 May 2025)	2/2
Mr. Qin Shuo (Resigned on 16 May 2025)	3/3

* The denominator represents the number of the Remuneration Committee meetings held during the tenure of each Director in the financial year ended 31 December 2025.

NOMINATION COMMITTEE

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

The primary duties of the Nomination Committee include the following:

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

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

- (i) reviewed the structure, size and composition of the Board;
- (ii) assessed the independence of the independent non-executive Directors; and
- (iii) made recommendation to the Board on the appointment of new independent non-executive Director; and
- (iv) made recommendation to the Board on the appointment of new non-executive Director and independent non-executive Director.

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

Name	Number of meetings of the Nomination Committee attended/held*
Mr. Xiong Bo (<i>Chairman</i>)	2/2
Mr. Tian Li	2/2
Ms. Du Li (Appointed on 16 May 2025)	1/1
Mr. Qin Shuo (Resigned on 16 May 2025)	1/1

* The denominator represents the number of the Nomination Committee meetings held during the tenure of each Director in the financial year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

Objective

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

Selection criteria

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

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

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

Nomination procedures

Appointment of Directors

- (i) The Nomination Committee shall identify candidates as Directors with reference to advice from the existing directors and senior management and/or recommendation from shareholders.
- (ii) The Nomination Committee shall review qualifications of candidates and determine candidates most relevant to requirement and expected criteria of the Board.
- (iii) The Nomination Committee shall report to the Board on assessment and selection process of candidates.
- (iv) The Nomination Committee shall recommend candidates to the Board.
- (v) The Board shall set out formal candidate list for election on general meetings to fill casual vacancies.

Re-election of Directors

- (i) The Nomination Committee shall consider each retiring Director after due consideration of the nomination policy, board diversity policy and the CG Code and assess the independence of each retiring independent non-executive Director.
- (ii) The Nomination Committee shall make recommendation to the Board.
- (iii) The Board shall consider each retiring Director recommended by the Nomination Committee after due consideration of the nomination policy, board diversity policy and the CG Code.
- (iv) The Board shall recommend retiring directors to be re-elected on general meetings in accordance with the Articles of Association of the Company.
- (v) The shareholders shall approve re-election of directors on general meetings.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

COMPANY SECRETARY

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

INTERNAL AUDIT

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

INVESTOR RELATIONS

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

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

COMMUNICATION WITH SHAREHOLDERS

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

DIVIDEND POLICY

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

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

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

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

Procedures for the Shareholders to Convene Extraordinary General Meeting

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

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

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

Procedures for Putting Forward Proposals at General Meetings by Shareholders

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

Procedures for the Shareholders to Put their Enquiries to the Board

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

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

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

INDEPENDENT AUDITOR'S REPORT



To the shareholders of China Industrial Securities International Financial Group Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Industrial Securities International Financial Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 50 to 155, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Impairment assessment for stage 3 margin loans

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 69 to 73.

The Key Audit Matter

At 31 December 2025, the gross amount of stage 3 margin loans and its related impairment allowance amounted to HK\$44.6 million (2024: HK\$675.5 million) and HK\$36.0 million (2024: HK\$532.6 million) respectively.

Margin loan is categorised as Stage 3 when it is credit-impaired. Management measures lifetime ECL of credit-impaired margin loans by considering various factors including realisation value of collateral, historical loss rate and any other factors such as remedies available for recovery and the financial situation of the borrower.

Management exercises significant judgement in determining the expected credit loss ("ECL") of stage 3 margin loans. The ECL is subject to a number of key parameters and assumptions, including the classification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

We identified the impairment assessment for stage 3 margin loans as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement.

How the matter was addressed in our audit

Our audit procedures for the impairment assessment for stage 3 margin loans included the following:

- understanding and assessing the design and implementation of the key internal controls over the monitoring of stage 3 margin loans and collateral shortfalls and the ECL assessment procedures. For the key underlying systems used for the processing of transactions in relation to stage 3 margin loans, this included involving our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant key internal controls;
- understanding and assessing the established policies and procedures on impairment assessment including the staging criteria, application of assumptions and inputs into the model;
- evaluating, with the assistance of our model specialists, the reasonableness and appropriateness of the ECL calculation for stage 3 margin loans and the critical assumptions, inputs and parameters used in the calculation;
- assessing the valuation of collateral held for a sample of stage 3 margin loan balances with publicly available market prices;
- assessing the existence of collateral by comparing a sample of securities held as collateral as extracted from the Group's records with independent confirmations or third party statements from brokers or clearing houses; and
- assessing the existence and quality of collateral, guarantees or other forms of credit support in evaluating the adequacy of impairment allowance made by the Group for material margin loans classified as Stage 3.

INDEPENDENT AUDITOR'S REPORT

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provide a separate assurance practitioners conclusion thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ko Sze Man (practising certificate number: P06288).

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
25 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
Commission and fee income	5	285,711,950	301,859,422
Interest revenue	5	274,596,444	158,866,332
Net trading and investment income	5	350,937,574	420,357,867
<hr/>			
Total revenue	5	911,245,968	881,083,621
Other income	5	154,899,261	192,598,937
Finance costs	7	(525,303,081)	(468,207,631)
Commission and fee expenses	8	(59,273,351)	(73,923,838)
Staff costs	9	(196,968,279)	(238,852,308)
Other operating expenses		(119,095,409)	(119,736,521)
Net reversal of/(provision for) impairment losses on financial assets	9	1,567,867	(37,211,042)
Other gains or losses	9	22,947,241	(1,483,397)
<hr/>			
Profit before taxation	9	190,020,217	134,267,821
Taxation	10	(22,963,242)	(26,178,931)
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Profit for the year		167,056,975	108,088,890
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Attributable to:			
Owners of the Company		167,056,975	108,088,890
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Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted (expressed in HK\$)	13	0.0302	0.0231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 HK\$	2024 HK\$
Profit for the year	167,056,975	108,088,890
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
– Equity instruments designated at fair value through other comprehensive income		
– Changes in fair value	64,312,198	35,767,979
– Income tax impact	(3,244,803)	(5,440,320)
Items that may be reclassified subsequently to profit or loss:		
– Debt investments at fair value through other comprehensive income		
– Changes in fair value	68,394,793	13,208,662
– Reclassification to profit or loss on disposal	(12,673,561)	(21,965,441)
– Income tax impact	(5,817,712)	(1,723,515)
Other comprehensive income for the year, net of tax	110,970,915	19,847,365
Total comprehensive income for the year	278,027,890	127,936,255
Attributable to:		
Owners of the Company	278,027,890	127,936,255

The notes on pages 57 to 155 form part of these financial statements. Details of dividends declared for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$	2024 HK\$
Non-current assets			
Property and equipment	14	16,893,458	37,006,105
Intangible assets	15	8,260,730	11,448,338
Financial assets at fair value through profit or loss	16	8,849,637	10,908,359
Debt investments at amortised cost	18	3,236,746,213	690,934,760
Reverse repurchase agreements	19	92,885,100	92,700,369
Statutory deposits	20	22,925,431	20,723,815
Deferred tax assets	28	63,258,274	93,974,695
Deposits, other receivables and prepayments	21	6,393,750	6,403,751
		3,456,212,593	964,100,192
Current assets			
Accounts receivable	22	813,730,980	1,171,860,830
Financial assets at fair value through profit or loss	16	6,597,751,424	4,373,209,742
Financial assets at fair value through other comprehensive income	17	8,415,190,308	4,941,786,306
Debt investments at amortised cost	18	289,888,787	84,222,555
Statutory deposits	20	15,928,455	9,796,173
Deposits, other receivables and prepayments	21	402,418,023	387,514,648
Tax receivable		6,402,739	7,967,063
Amount due from a related party	24	2,848,215	–
Bank balances – trust accounts	23	2,434,108,361	1,831,016,133
Bank balances – general accounts and cash	23	2,165,859,422	1,961,292,282
		21,144,126,714	14,768,665,732
Current liabilities			
Accounts payable	26	2,858,409,025	2,246,110,797
Accruals and other payables	27	120,227,955	124,641,261
Amount due to a related party	24	5,136,472	4,002,026
Contract liabilities		712,607	1,355,175
Tax payable		469,772	6,826,313
Financial liabilities at fair value through profit or loss	25	101,256,999	26,180,966
Repurchase agreements	29	10,142,674,924	5,108,975,622
Bank borrowings	30	5,156,127,781	2,621,311,780
Notes	31	8,413,207	60,960,087
Lease liabilities	32	12,018,729	19,365,469
Other liabilities	45	301,151,716	96,457,776
		18,706,599,187	10,316,187,272
Net current assets		2,437,527,527	4,452,478,460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$	2024 HK\$
Non-current liabilities			
Repurchase agreements	29	815,312,538	519,317,230
Bonds	31	650,565,503	649,739,968
Deferred tax liabilities	28	5,736	8,318
Lease liabilities	32	–	11,434,683
		1,465,883,777	1,180,500,199
Net assets		4,427,856,343	4,236,078,453
Equity			
Share capital	33	400,000,000	400,000,000
Share premium	34	3,339,895,424	3,379,895,424
Accumulated loss		(830,000,756)	(992,084,722)
Other reserve	35	11,577,844	11,577,844
Capital reserve	35	442,441,821	442,441,821
Fair value reserve	35	63,942,010	(5,751,914)
Equity attributable to holders of the ordinary shares		3,427,856,343	3,236,078,453
Equity attributable to holders of other equity instruments	36	1,000,000,000	1,000,000,000
Total equity		4,427,856,343	4,236,078,453

The consolidated financial statements on pages 50 to 155 were approved and authorised for issue by the Board of Directors on 25 March 2026 and are signed on its behalf by:

Xiong Bo
DIRECTOR

Lin Dan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Equity attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Fair value reserve	Other reserve	Accumulated loss	Ordinary shareholders sub-total	Other equity instruments	Total equity
	HK\$ (Note 33)	HK\$ (Note 34)	HK\$ (Note 35)	HK\$ (Note 35)	HK\$ (Note 35)	HK\$	HK\$	HK\$ (Note 36)	HK\$
At 1 January 2024	400,000,000	3,379,895,424	442,441,821	(7,066,054)	11,577,844	(1,102,906,837)	3,123,942,198	1,000,000,000	4,123,942,198
Profit for the year	-	-	-	-	-	108,088,890	108,088,890	-	108,088,890
Other comprehensive income for the year	-	-	-	19,847,365	-	-	19,847,365	-	19,847,365
Total comprehensive income for the year	-	-	-	19,847,365	-	108,088,890	127,936,255	-	127,936,255
Transfer of fair value reserve to accumulated loss upon disposal (note 17)	-	-	-	(18,533,225)	-	18,533,225	-	-	-
Distribution to holder of other equity instruments (note 36)	-	-	-	-	-	(15,800,000)	(15,800,000)	-	(15,800,000)
At 31 December 2024 and 1 January 2025	400,000,000	3,379,895,424	442,441,821	(5,751,914)	11,577,844	(992,084,722)	3,236,078,453	1,000,000,000	4,236,078,453
Profit for the year	-	-	-	-	-	167,056,975	167,056,975	-	167,056,975
Other comprehensive income for the year	-	-	-	110,970,915	-	-	110,970,915	-	110,970,915
Total comprehensive income for the year	-	-	-	110,970,915	-	167,056,975	278,027,890	-	278,027,890
Transfer of fair value reserve to accumulated loss upon disposal (note 17)	-	-	-	(41,276,991)	-	41,276,991	-	-	-
Dividends paid (note 12)	-	(40,000,000)	-	-	-	-	(40,000,000)	-	(40,000,000)
Distribution to holder of other equity instruments (note 36)	-	-	-	-	-	(46,250,000)	(46,250,000)	-	(46,250,000)
At 31 December 2025	400,000,000	3,339,895,424	442,441,821	63,942,010	11,577,844	(830,000,756)	3,427,856,343	1,000,000,000	4,427,856,343

The notes on pages 57 to 155 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
OPERATING ACTIVITIES			
Profit before taxation		190,020,217	134,267,821
Adjustments for:			
Finance costs	7	525,303,081	468,207,631
Depreciation of property and equipment	9	22,005,795	22,136,745
Amortisation of intangible assets	9	6,876,908	6,116,393
Net (reversal of)/provision for impairment losses on financial assets	9	(1,567,867)	37,211,042
Fair value changes of interest held by third-party unitholders/ shareholders of consolidated investment funds	9	23,434,765	4,614,107
Losses on disposals of property and equipment	9	5,212	384,388
Net gain on disposals of debt investments at fair value through other comprehensive income	5	(12,673,561)	(21,965,441)
Dividend income and interest income from financial assets at fair value through other comprehensive income	5	(294,259,614)	(217,948,350)
Interest income from debt investments at amortised cost	5	(106,492,685)	(14,591,680)
Operating cash flows before movements in working capital		352,652,251	418,432,656
Increase in statutory deposits		(8,333,898)	(7,366,286)
Increase in deposits, other receivables and prepayments		(14,046,590)	(69,630,531)
(Increase)/decrease in financial assets at fair value through profit or loss		(2,177,315,816)	550,800,826
Decrease/(increase) in accounts receivable		362,407,098	(198,356,321)
(Increase)/decrease in reverse repurchase agreements		(193,634)	597,589
Increase in amount due from a related party		(2,848,215)	–
(Increase)/decrease in bank balances – trust accounts		(603,048,712)	1,588,938,262
Decrease/(increase) in time deposits		113,292,259	(41,788,560)
Increase/(decrease) in accounts payable		590,943,258	(1,273,608,267)
(Decrease)/increase in accruals and other payables		(5,675,062)	60,417,733
Increase/(decrease) in financial liabilities at fair value through profit or loss		75,076,033	(4,478,871)
Increase in repurchase agreements		4,986,136,349	1,166,711,113
Decrease in contract liabilities		(642,568)	(2,953,551)
Increase/(decrease) in amount due to a related party		1,134,446	(721,163)
Cash generated from operations		3,669,537,199	2,186,994,629
Tax paid		(6,104,135)	(12,127,063)
NET CASH GENERATED FROM OPERATING ACTIVITIES		3,663,433,064	2,174,867,566
INVESTING ACTIVITIES			
Dividends and interest received from investments		366,945,101	222,632,981
Purchase of property and equipment	14	(1,898,360)	(2,620,263)
Purchase of intangible assets	15	(3,689,300)	(6,315,761)
Acquisition of consolidated structured entities ⁽¹⁾		187,886,664	–
Purchase of financial assets at fair value through other comprehensive income		(5,870,145,935)	(2,653,238,258)
Proceeds from disposals and maturities of financial assets at fair value through other comprehensive income		2,536,443,771	2,154,149,072
Purchase of debt investments at amortised cost		(2,811,757,598)	(496,192,571)
Proceeds from maturities of debt investments at amortised cost		84,944,574	–
NET CASH USED IN INVESTING ACTIVITIES		(5,511,271,083)	(781,584,800)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
FINANCING ACTIVITIES			
Interest paid	42	(140,576,209)	(222,193,065)
Bank borrowings raised	42	12,845,552,130	4,788,391,300
Repayments of bank borrowings	42	(10,337,208,000)	(4,352,049,300)
Proceeds from issue of notes	42	129,185,883	310,465,659
Redemption of notes	42	(181,043,906)	(417,524,019)
Proceeds from issue of bonds	42	–	2,326,711,241
Redemption of bonds	42	–	(3,755,811,108)
Capital element of lease rentals paid	42	(18,781,423)	(17,856,508)
Interest element of lease rentals paid	42	(1,113,533)	(2,027,348)
Contributions from third-party unitholders/shareholders of consolidated investment funds	42	109,221,570	–
Withdrawals from third-party unitholders/shareholders of consolidated investment funds	42	(153,289,094)	(8,233,479)
Dividends paid to ordinary shareholders	12	(40,000,000)	–
Distribution to holder of other equity instruments	36	(46,250,000)	(15,800,000)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		2,165,697,418	(1,365,926,627)
NET INCREASE IN CASH AND CASH EQUIVALENTS		317,859,399	27,356,139
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,791,898,242	1,764,542,103
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		2,109,757,641	1,791,898,242
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances – general accounts and cash	23	1,702,632,730	1,105,721,735
Time deposits with original maturity of less than three months when acquired	23	407,124,911	686,176,507
Cash and cash equivalents as stated in the consolidated statement of cash flows		2,109,757,641	1,791,898,242
Time deposits with original maturity more than three months but less than one year when acquired	23	56,101,781	169,394,040
Bank balances- general accounts and cash as stated in the consolidated statement of financial position		2,165,859,422	1,961,292,282
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE			
Interest paid		(268,224,947)	(220,587,098)
Interest received		365,016,996	439,120,086
Dividend received		6,130,107	5,573,856

⁽¹⁾ Included in net cash inflow on acquisition of consolidated structured entities is cash acquired of HK\$666,916,268, net of cash consideration paid of HK\$479,029,604.

The notes on pages 57 to 155 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL

China Industrial Securities International Financial Group Limited (“the Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 21 July 2015. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

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

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

(c) Basis of consolidation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

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

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

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

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

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

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

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

(d) Structured entities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Structured entities *(Continued)*

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

(e) Revenue from contracts with customers

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

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

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

Output method

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

Variable consideration

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

Variable consideration *(Continued)*

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

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

- (i) Commission income arising from broking business of securities, and futures and option contracts dealings is recorded as income on a trade-date basis;
- (ii) Commission income arising from insurance brokerage business is recognised as income in accordance with the terms of underlying agreements when the relevant significant acts have been completed, generally at the effective date of the applicable insurance policies;
- (iii) Corporate advisory fee and sponsor fee, asset management fee, investment advisory fee, custodian and handling fee income and arrangement fee income are recognised when the Group has fulfilled its obligations under the respective contracts. Depending on the nature of the services and the contract terms, corporate advisory fee and sponsor fee are recognised in profit or loss over time using a method that depicts the Group's performance, or at point in time when the service is completed;
- (iv) Commission income arising from placing, underwriting and sub-underwriting is recognised as income when the Group has fulfilled its obligations in accordance with the terms of the agreements;
- (v) Realised profits or losses from financial assets/financial liabilities at fair value through profit or loss ("FVTPL") and derivatives are recognized on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses of financial assets/financial liabilities at FVTPL and derivatives are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments;
- (vi) Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)); and
- (vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Property and equipment

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

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of equipment, including right-of-use assets arising from leases of underlying equipment (see note 2(p)).

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

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

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

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

(g) Intangible assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets *(Continued)*

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

Software	3 years
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Both the period and method of amortisation are reviewed annually.

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

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

(h) Impairment losses on tangible and intangible assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is classified as held for trading if:

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

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

(i) Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(ii) Debt instruments classified as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

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

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

(iv) Financial assets at FVTPL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(vi) Financial guarantee contracts held

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

- The reference obligation is a debt instrument
- The holder is compensated only for a loss that it incurs
- The contract does not compensate the holder for more than the actual loss that it incurs.

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

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

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

Financial liabilities at amortised cost

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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

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

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

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

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

Derecognition/substantial modification of financial liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Non-substantial modifications of financial liabilities

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

Derivative financial instruments

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

Repurchase agreements

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

Reverse repurchase agreements

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

Offsetting a financial asset and a financial liability

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

(k) Trade and other receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) Taxation

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Taxation *(Continued)*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(p) Leased asset

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

As a lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Leased asset *(Continued)*

As a lessee *(Continued)*

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

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

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

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

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

(q) Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

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

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

Retirement benefit costs

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

(s) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Segment reporting

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

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

(u) Fiduciary activities

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

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

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

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Measurement of ECL

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

- Determining criteria for significant increase in credit risk;
- Selecting appropriate models and assumptions for the measurement of ECL;
- Establishing the relative probability weightings of forward-looking scenarios.

Significant increase in credit risk

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

Models and assumptions used

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

Key sources of estimation uncertainty

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

Fair value measurement of financial instruments

Financial assets at FVTPL amounting to HK\$636,224,210 as at 31 December 2025 (2024: Financial assets at FVTPL amounting to HK\$714,874,877) are measured at fair values with fair values being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 40 for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

Key sources of estimation uncertainty *(Continued)*

Measurement of ECL

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

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

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

Impairment assessment under ECL for financial assets at amortised cost (including certain accounts receivable (except for secured margin loans), debt investments at amortised cost, secured margin loans, reverse repurchase agreements, amount due from a related party, deposits, other receivables and bank balances) and debt investments at fair value through other comprehensive income

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

(i) Inputs, assumptions and estimation techniques

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

(ii) Forward-looking information

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

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

Income taxes

Deferred tax asset of HK\$50,901,221 (2024: HK\$80,187,094) has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK\$308 million as at 31 December 2025 (2024: HK\$486 million) for subsidiaries that are expected to have taxable profits in the future. The recognition of deferred tax asset involves management estimate in forecasting future taxable profits. No deferred tax asset was recognised for the deductible temporary differences of approximately HK\$448 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK\$513 million (2024: deductible temporary differences of approximately HK\$353 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK\$679 million) in respect of subsidiaries where it is not probable that sufficient profits will be generated. Details of the tax losses and the deferred tax are disclosed in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	2025 HK\$	2024 HK\$
Revenue from contracts with customers within the scope of HKFRS15		
Commission and fee income		
Brokerage:		
Commission and fee income from securities brokerage	151,263,209	141,892,525
Commission and fee income from futures and options brokerage	11,098,439	11,674,879
Commission income from insurance brokerage	2,791,341	5,290,088
	165,152,989	158,857,492
Corporate finance:		
Commission income on placing, underwriting and sub-underwriting		
– Debt securities	92,799,050	113,210,972
– Equity securities	6,366,632	44,416
Corporate advisory fee income	200,400	1,073,735
Sponsor fee income	3,993,360	4,413,231
Arrangement fee income	5,610,508	11,843,915
	108,969,950	130,586,269
Asset management:		
Asset management fee income	9,695,729	10,127,980
Investment advisory fee income	1,893,282	2,287,681
	11,589,011	12,415,661
	285,711,950	301,859,422
Revenue from other sources		
Interest revenue		
Financial products and investments:		
Interest income from reverse repurchase agreements	6,452,776	5,900,672
Interest income from debt investments at fair value through other comprehensive income	133,360,062	102,203,555
Interest income from debt investments at amortised cost	106,492,685	14,591,680
	246,305,523	122,695,907
Margin financing:		
Interest income from margin financing	28,290,921	36,170,425
	274,596,444	158,866,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE AND OTHER INCOME (Continued)

Revenue (Continued)

	2025 HK\$	2024 HK\$
Revenue from other sources (Continued)		
Net trading and investment income		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	338,442,341	335,230,707
Dividend income from financial assets at fair value through profit or loss	6,130,107	5,573,856
Net loss on financial assets at fair value through profit or loss	(99,614,896)	(103,976,218)
Net (loss)/gain on derivatives	(67,591,267)	44,334,416
Net (loss)/gain on financial liabilities at fair value through profit or loss	(1,824)	1,484,870
Dividend income from equity instruments designated at fair value through other comprehensive income	160,899,552	115,744,795
Net gain on disposals of debt investments at fair value through other comprehensive income	12,673,561	21,965,441
	350,937,574	420,357,867
Total revenue	911,245,968	881,083,621

Timing of revenue recognition for commission and fee income from customers

	2025 HK\$	2024 HK\$
A point in time	264,061,786	276,455,168
Over time	21,650,164	25,404,254
Total	285,711,950	301,859,422

Performance obligations for commission and fee income from customers

(1) Brokerage

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE AND OTHER INCOME *(Continued)*

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

(1) Brokerage *(Continued)*

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

(2) Corporate finance

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

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

(3) Asset management

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

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

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

The following table shows the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partly unsatisfied) as at 31 December 2025 and 2024 and the expected timing of recognising revenue are as follows:

	2025 HK\$	2024 HK\$
Within one year	292,154	886,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE AND OTHER INCOME *(Continued)*

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

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

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

Other Income

	2025 HK\$	2024 HK\$
Interest income from financial institutions	138,780,145	178,132,376
Sundry income	16,119,116	14,466,561
	154,899,261	192,598,937

6. SEGMENT REPORTING

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

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

Wealth management – provision of securities, futures, options and insurance brokerage, financial products and margin financing services to clients;

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. SEGMENT REPORTING (Continued)

For the year ended 31 December 2025

	Wealth management HK\$	Corporate finance HK\$	Asset management HK\$	Financial products and investments HK\$	Others HK\$	Eliminations HK\$	Consolidated HK\$
Segment revenue and result							
Commission and fee income	165,152,989	108,969,950	11,589,011	-	-	-	285,711,950
Interest revenue	28,290,921	-	-	246,305,523	-	-	274,596,444
Net trading and investment income	-	-	-	350,937,574	-	-	350,937,574
Inter-segment revenue	1,341,634	-	2,904,335	-	-	(4,245,969)	-
Segment revenue	194,785,544	108,969,950	14,493,346	597,243,097	-	(4,245,969)	911,245,968
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							911,245,968
Segment results	120,185,252	44,985,225	(21,606,039)	24,042,303	22,413,476	-	190,020,217
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							190,020,217
Other segmental information included in the measure of segment results							
Net (reversal of)/provision for impairment losses on financial assets	(3,724,460)	-	-	2,156,593	-	-	(1,567,867)
Depreciation	9,368	-	-	-	21,996,427	-	22,005,795
Amortisation	2,889,445	-	15,645	-	3,971,818	-	6,876,908
Interest income	149,798,534	1,008,382	942,789	592,768,203	220,316,719	(213,015,697)	751,818,930
Interest expenses	32,229,440	-	-	538,024,854	168,064,484	(213,015,697)	525,303,081
Dividend income	-	-	-	167,029,659	-	-	167,029,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. SEGMENT REPORTING (Continued)

For the year ended 31 December 2024

	Wealth management HK\$	Corporate finance HK\$	Asset management HK\$	Financial products and investments HK\$	Others HK\$	Eliminations HK\$	Consolidated HK\$
Segment revenue and result							
Commission and fee income	158,857,492	130,586,269	12,415,661	-	-	-	301,859,422
Interest revenue	36,170,425	-	-	122,695,907	-	-	158,866,332
Net trading and investment income	-	-	-	420,357,867	-	-	420,357,867
Inter-segment revenue	1,102,586	-	8,011,678	-	-	(9,114,264)	-
Segment revenue	196,130,503	130,586,269	20,427,339	543,053,774	-	(9,114,264)	881,083,621
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							881,083,621
Segment results	123,301,836	54,898,403	(14,979,717)	17,506,530	(46,459,231)	-	134,267,821
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							134,267,821
Other segmental information included in the measure of segment results							
Net provision for/(reversal of) impairment losses on financial assets	37,021,273	1,450,216	(1,681,387)	420,940	-	-	37,211,042
Depreciation	10,237	-	-	-	22,126,508	-	22,136,745
Amortisation	2,890,865	-	17,067	-	3,208,461	-	6,116,393
Interest income	266,530,313	1,142,239	1,433,666	460,034,847	240,096,845	(297,008,495)	672,229,415
Interest expenses	78,688,112	-	-	471,542,810	214,985,204	(297,008,495)	468,207,631
Dividend income	-	-	-	121,318,651	-	-	121,318,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. SEGMENT REPORTING *(Continued)*

Geographical information

For the years ended 31 December 2025 and 2024, the Group's revenue from external customers are all derived from activities in Hong Kong based on the location of services delivered and the Group's non-current assets excluding financial instruments are all located in Hong Kong by physical location of assets. As a result, no geographical segment information is presented for both years.

Information about major customers

The largest customer and largest 5 customers contribute approximately 10.66% and 21.36% respectively (2024: 19.83% and 30.63% respectively) to the Group's revenue from external customers during the year ended 31 December 2025.

7. FINANCE COSTS

	2025 HK\$	2024 HK\$
Interest on bank borrowings	131,392,968	80,853,055
Interest on bonds	33,952,414	125,257,441
Interest on repurchase agreements	343,558,261	242,795,445
Interest on secured margin loans from brokers	22,855	29,208
Interest on notes	1,839,376	7,812,665
Interest on clients' account	13,423,674	9,432,469
Interest on lease liabilities	1,113,533	2,027,348
	525,303,081	468,207,631

8. COMMISSION AND FEE EXPENSES

	2025 HK\$	2024 HK\$
Sales commission paid to account executives	20,219,834	36,348,396
Commission and fee paid to brokers	28,179,618	26,224,738
Others <i>(note)</i>	10,873,899	11,350,704
	59,273,351	73,923,838

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. PROFIT BEFORE TAXATION

	2025 HK\$	2024 HK\$
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments and five highest paid employees' emoluments)	196,968,279	238,852,308
Salaries and bonuses (<i>note a</i>)	193,699,113	234,673,755
Contribution to the MPF Scheme	2,781,382	3,525,264
Other staff costs	487,784	653,289
Auditor's remuneration	2,360,000	2,360,000
Legal and professional fee	11,768,950	12,428,764
Amortisation of intangible assets	6,876,908	6,116,393
Depreciation of property and equipment	22,005,795	22,136,745
Telephone and postage	3,369,110	3,980,731
Maintenance fee	21,755,891	21,636,844
Transportation expenses	2,155,081	2,708,498
Entertainment expenses	1,395,793	1,934,434
Net (reversal of)/provision for impairment losses on financial assets	(1,567,867)	37,211,042
Secured margin loans (<i>note c</i>)	(4,016,202)	37,688,183
Accounts receivable (except for secured margin loans)	335,258	(305,810)
Reverse repurchase agreements	8,903	(9,153)
Bank balances – trust accounts	(43,516)	(592,272)
Debt investments at amortised costs	1,300,699	266,607
Debt investments at FVTOCI	846,991	163,487
Other gains or losses	(22,947,241)	1,483,397
Exchange gain	(46,387,218)	(3,515,098)
Other loss (<i>note b</i>)	23,434,765	4,614,107
Losses on disposals of property and equipment	5,212	384,388

Notes:

- (a) Staff and directors' bonuses are discretionary and determined with reference to the Group's and the individual's performance.
- (b) Included in other loss is the net loss of consolidated investment funds' net asset value attributable to third-party unit holders/shareholders of HK\$23,434,765 (2024: HK\$4,614,107). See note 45.
- (c) According to the assessment of the expected credit loss model, net reversal of impairment losses on secured margin loans of HK\$4,016,202 (2024: net provision for impairment losses of HK\$37,688,183) were made for the year, including (i) impairment losses recognised of HK\$17,461,340 (2024: HK\$41,893,062); net of (ii) reversal of impairment losses of HK\$21,477,542 (2024: HK\$4,204,879).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. TAXATION

	2025 HK\$	2024 HK\$
Hong Kong Profits Tax:		
Current year	1,316,418	6,826,313
Over-provision in prior years	(4,500)	(305,756)
	1,311,918	6,520,557
Deferred Tax	21,651,324	19,658,374
	22,963,242	26,178,931

The provision for Hong Kong Profits Tax for 2025 is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year, except for one entity of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this entity, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this entity was calculated at the same basis in 2024.

The tax expense for the years ended 31 December 2025 and 2024 can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 HK\$	2024 HK\$
Profit before taxation	190,020,217	134,267,821
Notional tax on profit before taxation, calculated at 16.5% (2024: 16.5%)	31,353,336	22,154,190
Tax effect of expenses not deductible for tax purpose	12,933,128	9,863,177
Tax effect of income not taxable for tax purpose	(12,593,627)	(32,681,182)
Tax at concessionary tax rate of 8.25% (2024: 8.25%)	(165,000)	(165,000)
Tax effect of deductible temporary difference not recognised	19,260,210	31,118,779
Tax effect of tax losses not recognised	5,186,459	8,043,547
Reversal of tax losses previously recognised	1,556,358	5,666,254
Utilisation of tax losses previously not recognised	(34,563,122)	(17,506,279)
Over-provision in prior years	(4,500)	(305,756)
Others	-	(8,799)
Tax expense for the year	22,963,242	26,178,931

The Group is part of a multinational enterprise group which is subject to the Global Anti Base Erosion Model Rules ("Pillar Two model rules") published by the Organisation for Economic Co-operation and Development. From 1 January 2025, the Group is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in the Hong Kong SAR.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(a) Directors' emoluments

During the years ended 31 December 2025 and 2024, the emoluments paid or payable by the Group are as follows:

	Fees HK\$	Salaries and allowances HK\$	Benefits in kind HK\$	Discretionary bonus HK\$ (note b)	Retirement benefit schemes contributions HK\$	Total HK\$
For the year ended 31 December 2025						
Zhang Chunjuan (note a and c)	-	2,200,649	-	659,520	-	2,860,169
Hong Ying (note d)	112,903	-	-	-	-	112,903
Tian Li (note d)	300,000	-	-	-	-	300,000
Qin Shuo (note d)	101,613	-	-	-	-	101,613
Xiong Bo (note d and e)	-	-	-	-	-	-
Chan Ho Wing (note d)	187,903	-	-	-	-	187,903
Du Li (note d)	169,113	-	-	-	-	169,113
	871,532	2,200,649	-	659,520	-	3,731,701
For the year ended 31 December 2024						
Zhang Chunjuan (note a and c)	-	2,070,321	-	793,970	-	2,864,291
Cai Junzheng (note a and c)	-	128,040	-	583,700	-	711,740
Hong Ying (note d)	300,000	-	-	-	-	300,000
Tian Li (note d)	300,000	-	-	-	-	300,000
Qin Shuo (note d)	270,000	-	-	-	-	270,000
Hu Pingsheng (note d and e)	-	-	-	-	-	-
Xiong Bo (note d and e)	-	-	-	-	-	-
	870,000	2,198,361	-	1,377,670	-	4,446,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(a) Directors' emoluments *(Continued)*

Notes:

- (a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Ms. Zhang Chunjuan resigned on 23 January 2026 and Mr. Cai Junzheng resigned on 18 January 2024.
- (b) The discretionary bonus of directors or chief executive of the Company was determined by the management of the ultimate and intermediate holding companies and by reference to the Group's financial performance and the directors and the chief executive's duties, responsibilities and individual performance within the Group.
- (c) No retirement benefit schemes contributions was paid or payable by the Group to Ms. Zhang Chunjuan during the years ended 31 December 2025 and 2024 and Mr. Cai Junzheng during the year ended 31 December 2024.
- (d) The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.
- (e) The remuneration of Mr. Xiong Bo for the years ended 31 December 2025 and 2024 and Mr. Hu Pingsheng for the year ended 31 December 2024 were borne by the ultimate holding company and there is no basis of allocation of their remuneration between the ultimate holding company and the Group. Mr. Hu Pingsheng resigned on 4 March 2024.

(b) Highest paid individuals

The five individuals with the highest emoluments in the Group do not include director of the Company for the year ended 31 December 2025 (2024: one) and details of whose emoluments are included in the disclosure above. The emoluments of the five non-directors, highest paid employees for the year ended 31 December 2025 (2024: four) are as below:

	2025 HK\$	2024 HK\$
Employees		
– salaries and allowances	10,641,297	7,714,400
– discretionary bonuses	9,099,264	7,172,740
– retirement benefit schemes contributions	54,000	72,000
	19,794,561	14,959,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(b) Highest paid individuals *(Continued)*

Their emoluments were within the following bands:

	Number of employees	
	2025	2024
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	2	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	2	2
HK\$4,500,001 to HK\$5,000,000	1	–
	5	4

During the year ended 31 December 2025, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office (2024: Nil). None of the directors waived any emoluments during both years.

12. DIVIDENDS

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

	2025 HK\$	2024 HK\$
2024 Final – HK\$0.01 (2024: 2023 Final – HK\$Nil) per share	40,000,000	–

The final dividend in respect of the year ended 31 December 2024 of HK\$0.01 per ordinary share, in an aggregate amount of HK\$40,000,000, was approved at the annual general meeting held on 16 May 2025 and was paid on 17 June 2025.

The directors of the Company did not recommend any payment of final dividend in respect of the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. EARNINGS PER SHARE

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

	2025 HK\$	2024 HK\$
Earnings (HK\$)		
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	167,056,975	108,088,890
Less: distribution to holder of other equity instruments	(46,250,000)	(15,800,000)
Profit for the year attributable to ordinary equity holders of the Company	120,806,975	92,288,890
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,000,000,000	4,000,000,000

For each of the years ended 31 December 2025 and 2024, there were no dilutive potential ordinary shares in issue, thus diluted earnings per share is equal to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvement HK\$	Furniture and fixtures HK\$	Computer equipment HK\$	Other properties leased for own use carried at cost HK\$	Total HK\$
Cost					
At 1 January 2024	55,964,806	3,047,713	43,482,776	55,209,646	157,704,941
Additions	–	28,880	2,591,383	–	2,620,263
Disposals	–	(1,682,737)	(6,024,796)	–	(7,707,533)
At 31 December 2024 and 1 January 2025	55,964,806	1,393,856	40,049,363	55,209,646	152,617,671
Additions	–	–	1,898,360	–	1,898,360
Disposals	–	–	(127,614)	–	(127,614)
At 31 December 2025	55,964,806	1,393,856	41,820,109	55,209,646	154,388,417
Depreciation					
At 1 January 2024	(54,704,382)	(2,094,646)	(35,712,293)	(8,286,645)	(100,797,966)
Charge for the year	(472,659)	(240,767)	(3,477,774)	(17,945,545)	(22,136,745)
Disposals	–	1,598,600	5,724,545	–	7,323,145
At 31 December 2024 and 1 January 2025	(55,177,041)	(736,813)	(33,465,522)	(26,232,190)	(115,611,566)
Charge for the year	(472,659)	(238,391)	(3,349,200)	(17,945,545)	(22,005,795)
Disposals	–	–	122,402	–	122,402
At 31 December 2025	(55,649,700)	(975,204)	(36,692,320)	(44,177,735)	(137,494,959)
Carrying values					
At 31 December 2025	315,106	418,652	5,127,789	11,031,911	16,893,458
At 31 December 2024	787,765	657,043	6,583,841	28,977,456	37,006,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY AND EQUIPMENT *(Continued)*

(b) Right-of-use assets

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

	31 December 2025 HK\$	31 December 2024 HK\$
Other properties leased for own use, carried at depreciated cost	11,031,911	28,977,456

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

	2025 HK\$	2024 HK\$
Depreciation charge of right-of-use assets	17,945,545	17,945,545
Interest on lease liabilities (<i>note 7</i>)	1,113,533	2,027,348

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

The lease typically runs for 2-3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. INTANGIBLE ASSETS

	Software HK\$	Trading rights HK\$	Total HK\$
Cost			
At 1 January 2024	35,597,578	1,000,000	36,597,578
Additions	6,315,761	–	6,315,761
Disposals	(164,097)	–	(164,097)
<hr/>			
At 31 December 2024 and 1 January 2025	41,749,242	1,000,000	42,749,242
Additions	3,689,300	–	3,689,300
<hr/>			
At 31 December 2025	45,438,542	1,000,000	46,438,542
<hr/>			
Amortisation			
At 1 January 2024	(25,348,608)	–	(25,348,608)
Charge for the year	(6,116,393)	–	(6,116,393)
Disposals	164,097	–	164,097
<hr/>			
At 31 December 2024 and 1 January 2025	(31,300,904)	–	(31,300,904)
Charge for the year	(6,876,908)	–	(6,876,908)
<hr/>			
At 31 December 2025	(38,177,812)	–	(38,177,812)
<hr/>			
Carrying values			
At 31 December 2025	7,260,730	1,000,000	8,260,730
<hr/>			
At 31 December 2024	10,448,338	1,000,000	11,448,338
<hr/>			

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK\$	2024 HK\$
Equity securities		
– Listed in Hong Kong	77,753,700	43,216,093
– Listed outside Hong Kong	77,472,242	40,735,485
Debt securities (<i>note a</i>)		
– Listed in Hong Kong	2,001,118,120	1,859,671,756
– Listed outside Hong Kong	2,247,412,210	952,304,277
– Unlisted	1,854,991,794	1,292,556,444
Funds		
– Unlisted	296,707,209	161,869,564
Derivatives (<i>note b</i>)	51,145,786	33,764,482
	6,606,601,061	4,384,118,101
Analysed as:		
Current	6,597,751,424	4,373,209,742
Non-current (<i>note c</i>)	8,849,637	10,908,359
	6,606,601,061	4,384,118,101

Notes:

- (a) Included in the portfolio of held for trading debt securities, certain debt securities have been sold under a repurchase agreement during the year ended 31 December 2025 and 2024. Details of the arrangement are set out in notes 29 and 38.
- (b) As at 31 December 2025, the Group entered into swap contracts and currency forwards with total notional amounts of RMB119,562,011 and USD131,440,494 (2024: RMB498,183,306 and USD60,000,000), of which reference to equity index, fund interest and debt securities.
- (c) As at 31 December 2025 and 2024, included in the non-current portion is an unlisted investment fund that the directors of the Group do not expect to realise within twelve months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 HK\$	2024 HK\$
Equity instruments designated at FVTOCI (<i>note</i>)		
– Listed in Hong Kong	2,895,754,688	1,885,666,046
– Listed outside Hong Kong	1,189,579,471	756,506,017
– Unlisted	256,004,568	115,467,226
Debt securities		
– Listed in Hong Kong	1,656,551,931	1,257,918,032
– Listed outside Hong Kong	1,617,400,852	621,996,318
– Unlisted	799,898,798	304,232,667
	8,415,190,308	4,941,786,306
Analysed as:		
Current	8,415,190,308	4,941,786,306
Non-current	–	–
	8,415,190,308	4,941,786,306

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

During the year ended 31 December 2025, the Group disposed of certain equity instruments designated at FVTOCI in response to the change in market conditions. The fair value of the equity instruments disposed at the date of derecognition was HK\$1,418,683,861 (2024: HK\$1,006,555,464). The cumulative gain on disposal of HK\$41,276,991 (2024: HK\$18,533,225) was transferred from fair value reserve to accumulated loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. DEBT INVESTMENTS AT AMORTISED COST

	2025 HK\$	2024 HK\$
Debt securities		
– Listed in Hong Kong	2,085,857,269	603,155,362
– Listed outside Hong Kong	1,088,885,793	101,424,481
– Unlisted	353,557,209	70,942,044
Less: impairment allowance	(1,665,271)	(364,572)
	3,526,635,000	775,157,315
Analysed as:		
Current	289,888,787	84,222,555
Non-current	3,236,746,213	690,934,760
	3,526,635,000	775,157,315

The carrying amounts of the debt investments at amortised cost approximate to their fair values as at 31 December 2025 and 2024.

19. REVERSE REPURCHASE AGREEMENTS

	2025 HK\$	2024 HK\$
Analysed by collateral type:		
Unlisted equity securities	93,005,188	92,811,554
Less: impairment allowance	(120,088)	(111,185)
	92,885,100	92,700,369
Analysed as:		
Current	–	–
Non-current	92,885,100	92,700,369
	92,885,100	92,700,369

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

As at 31 December 2025, the fair value of the collaterals were HK\$279,257,628 (2024: HK\$251,078,805).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. STATUTORY DEPOSITS

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

Non-current portion

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

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

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

Current portion

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

21. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2025 HK\$	2024 HK\$
Deposits (<i>note</i>)	265,028,069	321,996,396
Other receivables	137,502,211	66,806,905
Prepayments	6,281,493	5,115,098
	408,811,773	393,918,399
Analysed as:		
Current	402,418,023	387,514,648
Non-current	6,393,750	6,403,751
	408,811,773	393,918,399

Note: As at 31 December 2025 and 2024, the amount mainly comprises of cash collaterals posted to banks and other financial institutions for total return swaps, sales and repurchase agreements and credit derivatives transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. ACCOUNTS RECEIVABLE

	2025 HK\$	2024 HK\$
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	415,199,648	1,151,314,120
Less: impairment allowance	(36,938,824)	(533,674,166)
	378,260,824	617,639,954
Clearing houses	226,590,803	154,349,728
Cash clients	80,239,867	32,692,302
Brokers	12,989,539	44,989,047
Less: impairment allowance	(1,160,577)	(825,319)
	318,659,632	231,205,758
	696,920,456	848,845,712
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	21,024,829	20,510,294
Brokers	41,181,236	105,701,971
	62,206,065	126,212,265
Accounts receivable arising from the business of corporate finance	24,323,858	29,617,914
Less: impairment allowance	(1,450,216)	(1,450,216)
	22,873,642	28,167,698
Accounts receivable arising from the business of asset management	1,676,308	3,062,938
Less: impairment allowance	(150,000)	(150,000)
	1,526,308	2,912,938
Accounts receivable arising from the business of financial products and investments:		
Brokers	30,204,509	165,722,217
	813,730,980	1,171,860,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. ACCOUNTS RECEIVABLE (Continued)

Secured margin loans

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

As at 31 December 2025 and 2024, the loans are repayable on demand subsequent to settlement date and are analysed as follows:

	2025 HK\$	2024 HK\$
Non credit-impaired secured margin loans		
– Gross amount	370,609,067	475,809,860
– Carrying amount	369,705,410	474,699,118
Credit-impaired secured margin loans		
– Gross amount	44,590,581	675,504,260
– Carrying amount	8,555,414	142,940,836
Market value of securities pledged in respect of all margin loans	3,095,114,000	2,558,654,000

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

The collateral held can be repledged or be sold at the Group's discretion to settle any outstanding amount owed by margin clients. The Group had obtained margin clients' consent to pledge their securities collateral to secure banking facilities granted to the Group to finance the margin loan. As at 31 December 2025 and 2024, no bank borrowings were secured by charges over client's pledged securities.

During the years ended 31 December 2025 and 2024, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable (except for secured margin loans)

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

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

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

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

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

Corporate finance clients

	2025 HK\$	2024 HK\$
Not past due	14,009,580	9,318,600
Less than 31 days	2,210,986	7,501,959
31 – 60 days	22,763	9,417,143
61 – 90 days	438,660	1,796,001
91 – 180 days	117,340	52,098
181 – 365 days	6,074,313	81,897
Over 365 days	1,450,216	1,450,216
	24,323,858	29,617,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. ACCOUNTS RECEIVABLE *(Continued)*

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

Asset management clients

	2025 HK\$	2024 HK\$
Less than 31 days	1,160,128	1,546,832
31 – 60 days	120,000	622,645
61 – 90 days	65,000	596,344
91 – 180 days	100,472	147,117
181 – 365 days	80,708	–
Over 365 days	150,000	150,000
	1,676,308	3,062,938

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

23. CASH AND CASH EQUIVALENTS AND OTHER CASH INFORMATION

Bank balances - trust accounts

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

Bank balances - general accounts and cash

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

	2025 HK\$	2024 HK\$
Bank balances - general accounts and cash	1,702,632,730	1,105,721,735
Time deposits	463,226,692	855,570,547
– with original maturity of less than three months	407,124,911	686,176,507
– with original maturity of more than three months	56,101,781	169,394,040
Total bank balances – general accounts and cash	2,165,859,422	1,961,292,282

Other cash flow information - total cash outflow for leases

	2025 HK\$	2024 HK\$
Within operating cash flows	–	–
Within investing cash flows	–	–
Within financing cash flows	19,894,956	19,883,856

These amounts relate to lease rentals paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. AMOUNT DUE FROM/(TO) RELATED PARTIES

The Group had the following balances with related parties at the end of each reporting period:

	2025 HK\$	2024 HK\$
Amount due from Industrial Securities (Hong Kong) (<i>note a</i>)	2,848,215	–
Amount due to Industrial Securities (Shenzhen) (<i>note b</i>)	(5,136,472)	(4,002,026)

Notes:

- (a) Amount due from Industrial Securities (Hong Kong) Financial Holdings Limited ("Industrial Securities (Hong Kong)"), the immediate holding company, was arising from the provision of management services to Industrial Securities (Hong Kong), which is unsecured, non-interest bearing and repayable on demand.
- (b) Amount due to Industrial Securities Consultancy Service (Shenzhen) Company Limited ("Industrial Securities (Shenzhen)"), a fellow subsidiary, was mainly arising from the consultancy services provided by Industrial Securities (Shenzhen), which is unsecured, non-interest bearing and repayable on demand.

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK\$	2024 HK\$
Held for trading		
Derivatives (<i>note</i>)	101,256,999	26,180,966
	101,256,999	26,180,966
Analysed as:		
Current	101,256,999	26,180,966
Non-current	–	–
	101,256,999	26,180,966

Note: For the year ended 31 December 2025, the Group held swap contracts with total notional amount of RMB119,562,011 and USD110,000,000 (2024: RMB113,961,749 and USD46,853,773) of which reference to equity index, fund interest and debt securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. ACCOUNTS PAYABLE

	2025 HK\$	2024 HK\$
Accounts payable arising from the business of dealing in securities:		
Clearing house	–	4,552,535
Brokers	45,135,769	1,961,657
Clients	2,472,721,771	1,736,296,194
	2,517,857,540	1,742,810,386
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	255,966,589	336,877,496
Accounts payable arising from the business of financial products and investments:		
Brokers	84,584,896	149,564,486
Clients	–	16,858,429
	84,584,896	166,422,915
	2,858,409,025	2,246,110,797

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For the year ended 31 December 2025

26. ACCOUNTS PAYABLE *(Continued)*

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

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

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

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

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

The Group has accounts payable arising from the business of dealing in securities of HK\$19,743,871 due to the immediate holding company as at 31 December 2025 (2024: HK\$4,050,272).

27. ACCRUALS AND OTHER PAYABLES

	2025 HK\$	2024 HK\$
Accrued charges <i>(note)</i>	118,748,093	87,776,945
Other payables	1,479,862	36,864,316
	120,227,955	124,641,261

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

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For the year ended 31 December 2025

28. DEFERRED TAX ASSETS AND LIABILITIES

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

	2025 HK\$	2024 HK\$
Deferred tax assets	63,258,274	93,974,695
Deferred tax liabilities	(5,736)	(8,318)
	63,252,538	93,966,377

The following are the major deferred tax assets and (liabilities) recognised and movements thereon during the years ended 31 December 2025 and 2024:

	Changes in fair value of financial instruments HK\$	Tax loss HK\$	ECL provision HK\$	Accelerated tax depreciation HK\$	Provision for staff costs HK\$	Total HK\$
At 1 January 2024	(20,552)	117,037,969	686,286	2,550,362	534,521	120,788,586
Credit/(charge) to profit or loss (note 10)	6,437,464	(36,850,875)	(470,556)	(116,783)	11,342,376	(19,658,374)
Charge to other comprehensive income	(7,163,835)	–	–	–	–	(7,163,835)
At 31 December 2024 and 1 January 2025	(746,923)	80,187,094	215,730	2,433,579	11,876,897	93,966,377
Credit/(charge) to profit or loss (note 10)	1,726,107	(29,285,873)	(41,568)	521,344	5,428,666	(21,651,324)
Charge to other comprehensive income	(9,062,515)	–	–	–	–	(9,062,515)
At 31 December 2025	(8,083,331)	50,901,221	174,162	2,954,923	17,305,563	63,252,538

Deferred tax asset has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK\$308 million as at 31 December 2025 (2024: HK\$486 million).

No deferred tax has been recognised in the consolidated statement of financial position in relation to the deductible temporary differences of approximately HK\$448 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK\$513 million for certain group companies (2024: deductible temporary differences of approximately HK\$353 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK\$679 million) as it is uncertain whether future taxable profits will be available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. REPURCHASE AGREEMENTS

	2025 HK\$	2024 HK\$
Analysed as:		
Current	10,142,674,924	5,108,975,622
Non-current	815,312,538	519,317,230
	10,957,987,462	5,628,292,852

As at 31 December 2025, financial assets at FVTPL of HK\$3,180,194,030 (2024: HK\$1,644,572,549), financial assets at FVTOCI of HK\$6,696,962,955 (2024: HK\$4,611,094,026) and financial assets at amortised cost of HK\$3,199,301,248 (2024: HK\$640,637,095) were sold under repurchase agreements with other financial institutions which the Group simultaneously agreed to repurchase these debt securities at the agreed date and price. Details of the arrangement are set out in note 38. The Group's repurchase agreements as at 31 December 2025 are at fixed interest rate of 2% to 5% per annum (2024: 4.55% to 5% per annum).

30. BANK BORROWINGS

	2025 HK\$	2024 HK\$
Variable rate borrowings	5,156,127,781	2,621,311,780

The bank borrowings consist of loans borrowed by the Group from banks to facilitate investment and general working capital. The borrowings are all repayable within one year and/or contain a repayable on demand clause as at 31 December 2025 and 2024.

The interest rate of the Group's bank borrowings as at 31 December 2025 ranged from 2.05% to 4.46% (2024: 2.80% to 6.55%).

At 31 December 2025, HK\$5,124,686,130 (net of bank charge) (2024: HK\$2,616,342,000) had been drawn under the aggregated banking facilities of HK\$11,347,819,000 (2024: HK\$9,619,958,000) of the Group. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK\$6,817,944,000 as at 31 December 2025 (2024: HK\$5,776,550,000). Out of which HK\$3,366,042,550 have been drawn as at 31 December 2025 (2024: HK\$1,609,129,000).

No bank borrowings were secured by charges over clients' pledged securities as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. BONDS AND NOTES

Bonds

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

With reference to the announcements of the Company dated 23 September 2024, No Registration Event in relation to the 2024 Corporate Bonds has occurred during 2024. Pursuant to the terms and conditions of the bonds, certain bondholders have exercised the put option and total aggregate principal amount of US\$217,000,000 of the 2024 Corporate Bonds were redeemed on 30 October 2024. Such redeemed 2024 Corporate Bonds were cancelled subsequently in accordance with their respective terms and conditions. The aggregate principal amount of US\$83,000,000 of the 2024 Corporate Bonds were outstanding as at 31 December 2025 and 2024.

Notes

In 2023, the Company has established the Euro-commercial paper programme under which it may offer and issue unsecured notes in tranches of an aggregate principal amount of up to HK\$5,000,000,000 (or its equivalent in other currencies) to professional investors. During the year ended 31 December 2025, the Company has issued notes with proceeds of HK\$129,185,883 and redeemed notes of HK\$181,043,906 (note 42). As at 31 December 2025, the Company has outstanding notes of HK\$8,413,207 (2024: HK\$60,960,087) with tenors not more than 364 days. The interest rate of outstanding notes ranged from 3.6% to 4.1% (2024: 3.95% to 5.40%).

32. LEASE LIABILITIES

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

	31 December 2025		31 December 2024	
	Present value of the minimum lease payment HK\$	Total minimum lease payment HK\$	Present value of the minimum lease payment HK\$	Total minimum lease payment HK\$
Within 1 year	12,018,729	12,231,344	19,365,469	19,894,956
After 1 but within 3 years	-	-	11,434,683	12,231,344
	12,018,729	12,231,344	30,800,152	32,126,300
Less: finance cost		(212,615)		(1,326,148)
Present value lease obligation		12,018,729		30,800,152

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For the year ended 31 December 2025

33. SHARE CAPITAL

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

	Number of ordinary shares of HK\$0.10 each	Share capital HK\$
Authorised:		
As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	20,000,000,000	2,000,000,000
Issued and fully paid:		
As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	4,000,000,000	400,000,000

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

34. SHARE PREMIUM

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Group are distributable to the shareholders of the Group provided that immediately following the date on which the dividend is proposed to be distributed, the Group will be in a position to pay off its debts as they fall due in the ordinary course of business.

35. RESERVES

(a) Capital reserve

As at 31 December 2025 and 2024, capital reserve represents the difference between 489,990,000 consideration shares at par value of HK\$0.1 each issued by the Company and the consideration for the acquisition of the combined businesses pursuant to the Group reorganisation (as more fully explained in the section headed "History, Reorganisation and Group Structure – Reorganisation" in the prospectus of the Company dated 30 September 2016 (the "Prospectus")).

(b) Fair value reserve

The fair value reserve comprised the cumulative net change in the fair value of equity instruments designated at FVTOCI; and the cumulative net change in fair value of debt investments at FVTOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of the loss allowance.

(c) Other reserve

Other reserves represent the deemed capital contribution from Industrial Securities (Hong Kong) with regard to consultancy services provided by Industrial Securities (Shenzhen), a wholly-owned subsidiary of Industrial Securities (Hong Kong), to the Group during the years ended 31 December 2014 to 2016, for which the Group was not required to pay remuneration to Industrial Securities (Shenzhen).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. OTHER EQUITY INSTRUMENTS

On 16 June 2021, the Company issued HK\$1,000,000,000 subordinated perpetual securities (the "Perpetual Securities") to its controlling shareholder, Industrial Securities (Hong Kong) with an initial distribution rate of 1.58% per annum. There is no maturity date for the Perpetual Securities. The Company has the sole and absolute discretion to defer any distributions. The Perpetual Securities constitute direct, unconditional, unsecured and subordinated obligations of the Company and are classified as equity instruments and recorded as equity in the consolidated statement of financial position. Pursuant to the subscription agreement and with effect from 16 June 2024, the distribution rate was revised to 4.625% per annum. The distribution of HK\$46,250,000 relating to the Perpetual Securities was paid during the year ended 31 December 2025 (2024: HK\$15,800,000).

37. COMMITMENTS

Investment commitments

The Group had no investment commitments contracted as at 31 December 2025 (2024: Nil).

38. TRANSFERRED FINANCIAL ASSETS

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

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

Repurchase agreements

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

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

Analysed by liabilities type	As at 31 December 2025				Net position
	Carrying amount of transferred assets			Carrying amount of associated liabilities	
	Deposits – collateral paid HK\$	Financial assets HK\$	Total HK\$	HK\$	
Repurchase agreements (note 29)	163,737,045	13,076,458,233	13,240,195,278	10,957,987,462	2,282,207,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. TRANSFERRED FINANCIAL ASSETS (Continued)

Analysed by liabilities type	As at 31 December 2024			Carrying amount of associated liabilities HK\$	Net position HK\$
	Carrying amount of transferred assets		Total HK\$		
	Deposits – collateral paid HK\$	Financial assets HK\$			
Repurchase agreements (note 29)	99,622,481	6,896,303,670	6,995,926,151	5,628,292,852	1,367,633,299

39. CAPITAL MANAGEMENT

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

	2025 HK\$	2024 HK\$
Bank borrowings	5,156,127,781	2,621,311,780
Notes	8,413,207	60,960,087
Bonds	650,565,503	649,739,968
Equity attributable to holders of the ordinary shares	3,427,856,343	3,236,078,453
Equity attributable to holders of other equity instruments	1,000,000,000	1,000,000,000
	10,242,962,834	7,568,090,288

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

Several subsidiaries of the Group (the "Regulated Subsidiaries") are granted licenses by the Hong Kong Securities and Futures Commission (the "SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management of the Group closely monitors, on a daily basis, the Regulated Subsidiaries' liquid capital level to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. In addition, another subsidiary of the Group is a licensed insurance intermediary regulated by the Insurance Authority. It is required to maintain a minimum net asset value of HK\$500,000 at all times.

There is no non-compliance of capital requirements imposed by the respective regulatory authorities throughout both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2025 HK\$	2024 HK\$
Financial assets		
Financial assets at amortised cost	9,477,451,244	6,251,350,218
Financial assets at fair value through profit or loss	6,606,601,061	4,384,118,101
Financial assets at fair value through other comprehensive income	8,415,190,308	4,941,786,306
Financial liabilities		
Financial liabilities at fair value through profit or loss	402,408,715	122,638,742
Financial liabilities at amortised cost	19,650,138,041	11,278,081,978

Financial risk management objectives and policies

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

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

Interest rate risk

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

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

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

Sensitivity analysis

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

	(Decrease)/ increase in profit after tax for the year 2025 HK\$	(Decrease)/ increase in profit after tax for the year 2024 HK\$
Increase by 50 bps	(17,661,585)	(1,237,511)
Decrease by 50 bps	17,661,585	1,237,511
	(Decrease)/ increase in other comprehensive income for the year 2025 HK\$	(Decrease)/ increase in other comprehensive income for the year 2024 HK\$
Increase by 50 bps	(212,140,068)	(102,821,487)
Decrease by 50 bps	212,140,068	102,821,487

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For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk

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

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

	Assets		Liabilities	
	2025 HK\$	2024 HK\$	2025 HK\$	2024 HK\$
United States dollars ("USD")	18,579,389,356	12,003,441,886	13,553,189,977	7,584,587,476
Renminbi ("RMB")	897,872,083	461,801,348	747,730,559	402,713,731

Foreign currency sensitivity

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

	Increase/ (decrease) in profit after taxation for the year 2025 HK\$	Increase/ (decrease) in profit after taxation for the year 2024 HK\$
RMB	7,507,076	2,954,381

Other price risk

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

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

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

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40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk *(Continued)*

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

2025

	Exposure	Impact on a 5% increases in price on profit after tax for the year	Impact on a 5% decreases in price on profit after tax for the year
Financial assets at fair value through profit or loss (except for derivative)			
Listed equity securities and debt securities	4,352,146,045	217,607,302	(217,607,302)
Unlisted equity securities, debt securities and investment funds	1,643,297,643	82,164,882	(82,164,882)
Other liabilities (third parties unit holders/shareholders of consolidated investment funds)	152,940,588	(7,647,029)	7,647,029
		292,125,155	(292,125,155)

	Exposure	Impact on a 5% increases in price on other components of equity for the year	Impact on a 5% decreases in price on other components of equity for the year
Financial assets at fair value through other comprehensive income			
Listed equity instruments and debt securities	7,281,664,867	364,083,243	(364,083,243)
Unlisted equity instruments and debt securities	1,049,334,366	52,466,718	(52,466,718)
		416,549,961	(416,549,961)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk (Continued)

2024

	Exposure	Impact on a 5% increases in price on profit after tax for the year	Impact on a 5% decreases in price on profit after tax for the year
Financial assets at fair value through profit or loss (except for derivative)			
Listed equity securities and debt securities	2,864,685,152	143,234,258	(143,234,258)
Unlisted equity securities, debt securities and investment funds	1,067,820,437	53,391,022	(53,391,022)
Other liabilities (third parties unit holders/shareholders of consolidated investment funds)			
	88,646,679	(4,432,334)	4,432,334
		192,192,946	(192,192,946)
Financial assets at fair value through other comprehensive income			
Listed equity instruments and debt securities	4,886,882,092	223,572,874	(223,572,874)
Unlisted equity instruments and debt securities	415,424,609	20,771,230	(20,771,230)
		244,344,104	(244,344,104)

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

Credit risk and impairment assessment

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

As at 31 December 2025 and 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of respective recognised financial assets as stated in the consolidated statement of financial position during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

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

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

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

As described in more details in note 22, the credit risk on accounts receivable is managed through daily monitoring of the outstanding exposures from individual clients, margin values and realisable values of individual client's securities. The Group has concentration of credit risk to ten largest securities margin clients' exposure representing 78% (2024: 77%) of the total loans to margin clients as at 31 December 2025. The balances due from the ten largest securities margin clients were approximately HK\$294,611,000 (2024: HK\$475,049,000), of which the amount is secured by clients' securities with an aggregate fair value of HK\$909,049,000 (2024: HK\$1,455,507,000). Apart from the exposures to ten largest margin clients' exposure mentioned above, the directors of the Company consider that the concentration of credit risk is limited due to the customer base being large and unrelated.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

	As at 31 December 2025	As at 31 December 2024
Portfolio by issuer rating		
<i>Debt securities</i>		
AAA to A-	48.5%	46.2%
BBB+ to BBB-	31.2%	27.6%
BB+ and below	0%	3.6%
Non-rated <i>(note)</i>	20.3%	22.6%
	100%	100%

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

Impairment assessment policies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment policies (Continued)

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

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

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

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

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

- Determination of the criteria for significant increase in credit risk;
- Selection of the appropriate models and assumptions;
- Establishment of relative probability weightings for forward-looking scenarios.

Measurement of ECL

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Assessment of significant increase in credit risk

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

Forward looking information

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					2025 HK\$	2024 HK\$
Debt investments at fair value through other comprehensive income	17	BBB- or above	Low risk	12-month ECL	4,073,851,581	2,184,147,017
Debt investments at amortised cost	18	BBB- or above	Low risk	12-month ECL	3,528,300,271	775,521,887
Reverse repurchase agreements	19	N/A	Low risk	12-month ECL	93,005,187	92,811,554
Secured margin loans	22	N/A	Low risk Doubtful Loss	12-month ECL	272,597,821	475,809,860
				Lifetime ECL (not credit impaired)	98,011,246	–
				Lifetime ECL (Credit impaired)	44,590,581	675,504,260
					415,199,648	1,151,314,120
Accounts receivable (except for secured margin loans) (note 2)	22	N/A	Low risk Low risk Doubtful Loss	12-month ECL	410,091,433	522,520,034
				Lifetime ECL (not credit impaired)	24,399,950	31,080,636
				Lifetime ECL (not credit impaired)	183,236	–
				Lifetime ECL (credit-impaired)	3,556,330	3,045,741
					438,230,949	556,646,411
Bank balances – trust accounts	23	BBB- or above	Low risk	12-month ECL	2,434,260,228	1,831,211,516
Bank balances – general accounts and cash	23	BBB- or above	Low risk	12-month ECL	2,165,859,422	1,961,292,282
Deposits and other receivables	21	N/A	(Note 1)	12-month ECL	402,530,280	388,803,301

Notes:

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

	2025			2024		
	Past due HK\$	Not past due/ Repayable on demand HK\$	Total HK\$	Past due HK\$	Not past due/ Repayable on demand HK\$	Total HK\$
Deposits and other receivables	–	402,530,280	402,530,280	–	388,803,301	388,803,301

- For certain accounts receivable (except for secured margin loans) that result from transactions within the scope of HKFRS 15, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by aging status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

As at 31 December 2025

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Debt investments at fair value through other comprehensive income				
Fair value	4,073,851,581	–	–	4,073,851,581
Loss allowance	(2,193,060)	–	–	(2,193,060)
Debt investments at amortised cost				
Gross carrying amount	3,528,300,271	–	–	3,528,300,271
Loss allowance	(1,665,271)	–	–	(1,665,271)
Net carrying amount	3,526,635,000	–	–	3,526,635,000
Reverse repurchase agreements				
Gross carrying amount	93,005,188	–	–	93,005,188
Loss allowance	(120,088)	–	–	(120,088)
Net carrying amount	92,885,100	–	–	92,885,100
Secured margin loans				
Gross carrying amount	272,597,821	98,011,246	44,590,581	415,199,648
Loss allowance	(459,910)	(443,747)	(36,035,167)	(36,938,824)
Net carrying amount	272,137,911	97,567,499	8,555,414	378,260,824
Bank balances – trust accounts				
Gross carrying amount	2,434,260,228	–	–	2,434,260,228
Loss allowance	(151,867)	–	–	(151,867)
Net carrying amount	2,434,108,361	–	–	2,434,108,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2024

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Debt investments at fair value through other comprehensive income				
Fair value	2,184,147,017	–	–	2,184,147,017
Loss allowance	(1,346,069)	–	–	(1,346,069)
Debt investments at amortised cost				
Gross carrying amount	775,521,887	–	–	775,521,887
Loss allowance	(364,572)	–	–	(364,572)
Net carrying amount	775,157,315	–	–	775,157,315
Reverse repurchase agreements				
Gross carrying amount	92,811,554	–	–	92,811,554
Loss allowance	(111,185)	–	–	(111,185)
Net carrying amount	92,700,369	–	–	92,700,369
Secured margin loans				
Gross carrying amount	475,809,860	–	675,504,260	1,151,314,120
Loss allowance	(1,110,742)	–	(532,563,424)	(533,674,166)
Net carrying amount	474,699,118	–	142,940,836	617,639,954
Bank balances – trust accounts				
Gross carrying amount	1,831,211,516	–	–	1,831,211,516
Loss allowance	(195,383)	–	–	(195,383)
Net carrying amount	1,831,016,133	–	–	1,831,016,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
	ECL	ECL	ECL	
	HK\$	HK\$	HK\$	HK\$
As at 1 January 2024	1,182,582	–	–	1,182,582
Impairment losses recognised	163,487	–	–	163,487
As at 31 December 2024 and 1 January 2025	1,346,069	–	–	1,346,069
Impairment losses recognised	846,991	–	–	846,991
As at 31 December 2025	2,193,060	–	–	2,193,060

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

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
	ECL	ECL	ECL	
	HK\$	HK\$	HK\$	HK\$
As at 1 January 2024	97,965	–	–	97,965
Impairment losses recognised	266,607	–	–	266,607
As at 31 December 2024 and 1 January 2025	364,572	–	–	364,572
Impairment losses recognised	1,300,699	–	–	1,300,699
As at 31 December 2025	1,665,271	–	–	1,665,271

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

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
	ECL	ECL	ECL	
	HK\$	HK\$	HK\$	HK\$
As at 1 January 2024	120,338	–	–	120,338
Impairment losses reversed	(9,153)	–	–	(9,153)
As at 31 December 2024 and 1 January 2025	111,185	–	–	111,185
Impairment losses recognised	8,903	–	–	8,903
As at 31 December 2025	120,088	–	–	120,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for bank balances – trust accounts is as follows:

	Stage 1 12-month ECL HK\$	Stage 2 Lifetime ECL HK\$	Stage 3 Lifetime ECL HK\$	Total HK\$
As at 1 January 2024	787,655	–	–	787,655
Impairment losses reversed	(592,272)	–	–	(592,272)
As at 31 December 2024 and 1 January 2025	195,383	–	–	195,383
Impairment losses reversed	(43,516)	–	–	(43,516)
As at 31 December 2025	151,867	–	–	151,867

As at 31 December 2025, the Group measured the loss allowance for bank balances – trust accounts of Stage 1 amounting to HK\$151,867 (2024: HK\$195,383), which was mainly contributed by the fixed deposits in the trust accounts with a gross carrying amount of HK\$1,314.0 million (2024: HK\$1,221.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for secured margin loans is as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	ECL
	HK\$	HK\$	HK\$	HK\$
As at 1 January 2024	1,687,894	3	914,850,491	916,538,388
Impairment losses recognised	171,897	–	41,147,599	41,319,496
Impairment losses reversed	(1,322,615)	(3)	(2,882,261)	(4,204,879)
Written-off	–	–	(420,552,405)	(420,552,405)
New financial assets originated or purchased	573,566	–	–	573,566
As at 31 December 2024 and 1 January 2025	1,110,742	–	532,563,424	533,674,166
Impairment losses recognised	82,091	443,747	16,713,779	17,239,617
Impairment losses reversed	(954,646)	–	(20,522,896)	(21,477,542)
Written-off	–	–	(492,719,140)	(492,719,140)
New financial assets originated or purchased	221,723	–	–	221,723
As at 31 December 2025	459,910	443,747	36,035,167	36,938,824

The overall decrease of the ECL allowance was HK\$496.7 million (2024: HK\$382.9 million) for the year ended 31 December 2025.

The movement was mainly driven by secured margin loans of Stage 3 due to the write-off of secured margin loans with a gross carrying amount of HK\$492.7 million (2024: HK\$420.6 million) and reversal of impairment losses for secured margin loans with a gross carrying amount of HK\$44.6 million (2024: HK\$43.3 million).

This decrease had been partially set off by additional loss allowance of HK\$16.7 million (2024: HK\$41.1 million) provided for secured margin loans with a gross carrying amount of HK\$231.3 million (2024: HK\$632.2 million) at Stage 3.

The write-off was made as the Group determined that there was no realistic prospect of recovery of such secured margin loans for which the impairment allowance have been fully provided. These loans were still subject to enforcement activities under the Group's recovery procedures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's credit risk exposure of accounts receivable (except for secured margin loans) for which an impairment allowance is recognised as follows:

As at 31 December 2025

	General approach			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
Accounts receivable arising from the business of dealing in securities (except for secured margin loans)				
Gross carrying amount	317,680,859	183,236	1,956,114	319,820,209
Loss allowance	–	–	(1,160,577)	(1,160,577)
Net carrying amount	317,680,859	183,236	795,537	318,659,632
Accounts receivable arising from the business of dealing in futures and options contracts				
Gross carrying amount	62,206,065	–	–	62,206,065
Loss allowance	–	–	–	–
Net carrying amount	62,206,065	–	–	62,206,065
Accounts receivable arising from the business of financial products and investments				
Gross carrying amount	30,204,509	–	–	30,204,509
Loss allowance	–	–	–	–
Net carrying amount	30,204,509	–	–	30,204,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

	Simplified approach		Total HK\$
	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit-impaired) HK\$	
Accounts receivable arising from the business of corporate finance			
Gross carrying amount	22,873,642	1,450,216	24,323,858
Loss allowance	–	(1,450,216)	(1,450,216)
Net carrying amount	22,873,642	–	22,873,642
Accounts receivable arising from the business of asset management			
Gross carrying amount	1,526,308	150,000	1,676,308
Loss allowance	–	(150,000)	(150,000)
Net carrying amount	1,526,308	–	1,526,308

As at 31 December 2024

	General approach			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
Accounts receivable arising from the business of dealing in securities (except for secured margin loans)				
Gross carrying amount	230,585,552	–	1,445,525	232,031,077
Loss allowance	(1,328)	–	(823,991)	(825,319)
Net carrying amount	230,584,224	–	621,534	231,205,758
Accounts receivable arising from the business of dealing in futures and options contracts				
Gross carrying amount	126,212,265	–	–	126,212,265
Loss allowance	–	–	–	–
Net carrying amount	126,212,265	–	–	126,212,265
Accounts receivable arising from the business of financial products and investments				
Gross carrying amount	165,722,217	–	–	165,722,217
Loss allowance	–	–	–	–
Net carrying amount	165,722,217	–	–	165,722,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

	Simplified approach		Total HK\$
	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit-impaired) HK\$	
Accounts receivable arising from the business of corporate finance			
Gross carrying amount	28,167,698	1,450,216	29,617,914
Loss allowance	–	(1,450,216)	(1,450,216)
Net carrying amount	28,167,698	–	28,167,698
Accounts receivable arising from the business of asset management			
Gross carrying amount	2,912,938	150,000	3,062,938
Loss allowance	–	(150,000)	(150,000)
Net carrying amount	2,912,938	–	2,912,938

Movement in the allowances for impairment for accounts receivable (except for secured margin loans) is as follows:

	General approach			Simplified Approach		Total HK\$
	Stage 1 12-month ECL HK\$	Stage 2 Lifetime ECL HK\$	Stage 3 Lifetime ECL HK\$	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	
As at 1 January 2024	1,267	1,100	897,591	1,681,387	150,000	2,731,345
Impairment losses recognised	61	–	–	–	1,450,216	1,450,277
impairment losses reversed	–	(1,100)	(73,600)	(1,681,387)	–	(1,756,087)
As at 31 December 2024 and 1 January 2025	1,328	–	823,991	–	1,600,216	2,425,535
Impairment losses recognised	–	–	336,586	–	–	336,586
impairment losses reversed	(1,328)	–	–	–	–	(1,328)
As at 31 December 2025	–	–	1,160,577	–	1,600,216	2,760,793

Accounts receivable arising from the business of dealing in securities which are credit-impaired represent accounts receivable from cash clients when clients fail to settle according to settlement terms after taking into consideration the recoverability of collateral.

Accounts receivable arising from the business of asset management and corporate finance which are credit-impaired represent accounts receivable from asset management and corporate finance clients which have not yet been settled by clients over 1 year and the clients encountered financial difficulty on the repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from debt securities held by the Group, is shown below.

	2025 HK\$	2024 HK\$
Carrying amount	13,704,008,705	7,063,836,809
Concentration by sector		
Banks	3,403,589,466	1,374,137,601
Other financial institutions	3,164,453,928	1,680,862,687
Insurance	621,198,243	387,986,355
Government	312,972,304	36,826,374
Corporate:	5,865,798,656	3,468,443,662
Real estate	1,222,280,291	1,027,821,491
Chemicals	290,610,105	283,476,875
Customer services	215,696,683	148,398,589
Industrial and construction	1,319,926,613	983,510,964
Information technology	209,513,246	72,336,644
Transportation	315,773,563	72,749,282
Telecommunications	322,149,629	–
Utilities	1,201,847,699	679,418,839
Manufacturing	184,014,219	–
Metals and mining	113,920,532	121,470,266
Lodging	32,574,226	–
Others	437,491,850	79,260,712
Retail	335,996,108	115,580,130
	13,704,008,705	7,063,836,809
Concentration by location		
Mainland China	3,638,265,959	2,760,296,665
Europe	1,450,356,056	587,739,725
Hong Kong	3,117,000,040	1,547,408,641
Other parts in Asia	1,567,659,302	602,167,757
America	3,019,006,532	1,227,867,725
Australia	515,740,323	134,757,512
New Zealand	290,526,458	128,888,734
Saudi Arabia	93,329,561	74,710,050
Qatar	12,124,474	–
	13,704,008,705	7,063,836,809

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For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Concentration by location for debt securities is based on the country of domicile of the issuer of the security.

Other than concentration of credit risk on bank balances, amounts due from clearing houses and brokers, top ten margin clients' exposure described above, and debt securities investment, the Group had no significant concentration of credit risk by any single debtor, with exposure spread over a number of counterparties.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The directors of Company consider that the liquidity risk of the Group is remote because the Group has sufficient assets to repay the liabilities when demanded.

A number of the Group's activities in Hong Kong are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSF").

The Group has also put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the HKSF.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the earliest date on which the Group can be required to pay with taking into account the repayment on demand clause. The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay. Bank borrowings and repurchase agreements with a repayment on demand clause and bank loans that do not meet covenant conditions are classified as current liabilities. The directors of the Company do not believe that it is probable the banks will exercise their discretionary rights to demand immediate repayment.

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For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate	Repayable on demand and less than one month HK\$	More than 1 month to 1 year HK\$	Over 1 year to 5 years HK\$	Total contractual undiscounted cash flows HK\$	Carrying amount HK\$
At 31 December 2025						
Accounts payable	N/A	2,858,409,025	–	–	2,858,409,025	2,858,409,025
Financial liabilities at fair value through profit or loss	N/A	–	101,256,999	–	101,256,999	101,256,999
Repurchase agreements (including interest payable)	3.87%	8,599,106,720	1,543,729,737	815,728,910	10,958,565,367	10,957,987,462
Bank borrowings (including interest payable)	3.78%	3,631,472,542	1,539,704,575	–	5,171,177,117	5,156,127,781
Notes (including interest payable)	3.91%	3,178,480	5,273,362	–	8,451,842	8,413,207
Lease liabilities	5%	1,658,163	10,573,181	–	12,231,344	12,018,729
Other payables	N/A	1,479,862	–	–	1,479,862	1,479,862
Amount due to a related party	N/A	5,136,472	–	–	5,136,472	5,136,472
Bonds	4.85%	–	31,705,247	654,010,714	685,715,961	650,565,503
Other liabilities	N/A	301,151,716	–	–	301,151,716	301,151,716
Total		15,401,592,980	3,232,243,101	1,469,739,624	20,103,575,705	20,052,546,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand and less than one month HK\$	More than 1 month to 1 year HK\$	Over 1 year to 5 years HK\$	Total contractual undiscounted cash flows HK\$	Carrying amount HK\$
At 31 December 2024						
Accounts payable	N/A	2,246,110,797	–	–	2,246,110,797	2,246,110,797
Financial liabilities at fair value through profit or loss	N/A	–	26,180,966	–	26,180,966	26,180,966
Repurchase agreements (including interest payable)	4.69%	4,693,150,810	415,886,505	519,636,281	5,628,673,596	5,628,292,852
Bank borrowings (including interest payable)	5.40%	2,016,590,547	617,548,993	–	2,634,139,540	2,621,311,780
Notes (including interest payable)	5.00%	21,385,939	39,969,643	–	61,355,582	60,960,087
Lease liabilities	5.00%	1,657,163	18,237,793	12,231,344	32,126,300	30,800,152
Other payables	N/A	36,864,316	–	–	36,864,316	36,864,316
Amount due to a related party	N/A	4,002,026	–	–	4,002,026	4,002,026
Bonds	6.07%	–	39,530,047	694,057,657	733,587,704	649,739,968
Other liabilities	N/A	96,457,776	–	–	96,457,776	96,457,776
Total		9,116,219,374	1,157,353,947	1,225,925,282	11,499,498,603	11,400,720,720

Fair value measurement of financial instruments

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

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3: Fair value measured using significant unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS (Continued)

Fair value of the financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 31 December 2025 and 2024.

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

The following tables give information about how the fair values of financial assets and financial liabilities measured at fair value are determined including their fair value hierarchy, valuation technique(s) and key inputs used.

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2025 HK\$	31 December 2024 HK\$		
1) Financial assets at fair value through profit or loss				
Equity securities				
– Traded on stock exchanges	155,225,942	83,951,578	Level 1	Quoted price in active markets
Debt securities				
– Traded on stock exchanges and unlisted	5,297,300,937	3,257,373,531	Level 2	Quoted from brokers or market makers
– Unlisted	194,418,699	158,963,740	Level 2	Recent transaction price
– Unlisted	611,802,488	688,195,206	Level 3	Fair value of collaterals (<i>note a</i>)
Funds				
– Unlisted public	18,080,433	28,830,879	Level 1	Quoted price in active market
– Unlisted private	269,777,139	122,130,326	Level 2	NAV of funds with observable quoted price of underlying investment in active market
– Unlisted private	8,849,637	10,908,359	Level 3	Direct market comparison approach with NAV of fund provided by external counterparty (<i>note b</i>)
Derivatives	410,635	–	Level 2	Quoted from broker
Derivatives	35,163,066	17,993,170	Level 2	Net return calculated by relevant index and quoted market prices
Derivatives	15,572,085	15,771,312	Level 3	Discounted cash flow model (<i>note c</i>)
	6,606,601,061	4,384,118,101		

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For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2025 HK\$	31 December 2024 HK\$		
2) Financial assets at fair value through other comprehensive income				
Equity instruments designated at FVTOCI				
– Traded on stock exchanges and unlisted	4,341,338,727	2,757,639,289	Level 2	Quoted from brokers or market makers
Debt securities at FVTOCI				
– Traded on stock exchanges and unlisted	4,073,851,581	2,184,147,017	Level 2	Quoted from brokers or market makers
	8,415,190,308	4,941,786,306		
3) Financial liabilities at fair value through profit or loss				
Derivative	34,183,302	17,515,438	Level 2	Net return calculated by relevant index and quoted market prices
Derivatives	2,088,476	8,665,528	Level 3	Discounted cash flow model <i>(note c)</i>
Derivatives	64,985,221	–	Level 3	Option pricing model <i>(note d)</i>
	101,256,999	26,180,966		
4) Other liabilities				
Third parties unit holders/shareholders of consolidated investment funds	301,151,716	94,457,776	Level 2	NAV of funds with observable quoted price of underlying active market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Notes:

- The unobservable inputs are the fair value of collaterals. Due to limitation of public information, management has exercised significant judgement in determining the fair value of collaterals. The directors of the Company considered that the higher fair value of collaterals, the higher the fair value of unlisted debt securities would be resulted.
- The directors of the Company determined that the reported net asset value of the unlisted investment fund represents the fair value of the fund. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in positive relationship that the higher the reported net asset value adopted in the valuation assessment, the higher the fair value would be resulted.
- The unobservable inputs are risk adjusted discount rate and risk adjusted foreign exchange rate of USD over RMB. The directors of the Company considered that the higher the discount rate and foreign exchange rate of USD over RMB, the lower the fair values of derivatives would be resulted.
- The unobservable input is implied volatility. The directors of the Company considered that the higher the implied volatility, the higher the fair values of derivatives would be resulted.

There were no transfers between level 1 and level 2 or transfer into or out level 3 in 2025 and 2024. The Group assumes all transfers took place at the end of the financial year.

Reconciliation of level 3 fair value measurements

As at 31 December

	2025		2024	
	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss
Opening balance	(8,665,528)	714,874,877	–	728,692,720
Total losses recognised in profit or loss during the year	(58,408,169)	(78,650,667)	(8,665,528)	(13,817,843)
Closing balance	(67,073,697)	636,224,210	(8,665,528)	714,874,877
Total losses for the year included in profit or loss attributable to the change in unrealised gains or losses of assets/liabilities held at the end of the year	(67,073,697)	(204,736,887)	(8,665,528)	(139,618,943)

The gains or losses arising from the remeasurement of the financial assets and financial liabilities at fair values through profit or loss are presented in the "Net trading and investment income" line item in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements

The disclosures set out in the table below include financial assets that:

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

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements and Global Master Repurchase Agreements ("GMRA") for total return swaps, foreign currency forward and sale and repurchase agreements.

The Group's total return swaps transactions and foreign currency forward that are not transacted on an exchange are entered into under ISDA Master Agreements. The Group's sale and repurchase transactions are covered by GMRA with netting terms similar to those of ISDA Master Agreements. The ISDA Master Agreements and GMRA do not meet the criteria for offsetting in the statements of financial position. However, they create a right of set-off of different contracts that is enforceable only following an event of default, insolvency and bankruptcy of the Group or the counterparties. In such circumstances, all outstanding contracts under the agreements are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all contracts.

In addition, the Group pledged collateral in the form of cash and/or securities in respect of its total return swaps transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral pledged must be returned on maturity of the transactions.

Under the agreement of continuous net settlement between the Group and HKSCC and respective agreements between the Group and brokers, the Group has a legally enforceable right to set off money obligations receivable and payable with HKSCC and respective brokers on the same settlement date on a net basis. The Group intends to settle these balances on a net basis.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2025

	Gross amount of recognised financial assets HK\$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK\$	Net amounts of financial assets presented in the consolidated statement of financial position HK\$	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$
				Financial instruments HK\$	Collateral received HK\$	
Financial assets						
Accounts receivable arising from the business of dealing in securities	1,076,976,660	(380,056,204)	696,920,456	(67,416,628)	(403,713,552)	225,790,276
Financial assets pledged as collaterals for repurchase agreements (as disclosed in note 38)	13,076,458,233	-	13,076,458,233	(10,957,987,462)	-	2,118,470,771
Reverse repurchase agreements	92,885,100	-	92,885,100	-	(92,885,100)	-

	Gross amount of recognised financial liabilities HK\$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK\$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$
				Financial instruments HK\$	Collateral received HK\$	
Financial liabilities						
Accounts payable arising from the business of dealing in securities	2,897,913,744	(380,056,204)	2,517,857,540	(67,416,628)	(14,614,530)	2,435,826,382
Repurchase agreements	10,957,987,462	-	10,957,987,462	(10,957,987,462)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2024

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Net amount
	HK\$	HK\$	HK\$	HK\$	Financial instruments HK\$ Collateral received HK\$	HK\$
Financial assets						
Accounts receivable arising from the business of dealing in securities	1,279,585,494	(430,739,782)	848,845,712		(22,287,952) (594,401,467)	232,156,293
Financial assets pledged as collaterals for repurchase agreements (as disclosed in note 38)	6,896,303,670	–	6,896,303,670		(5,628,292,852) –	1,268,010,818
Reverse repurchase agreements	92,700,369	–	92,700,369		– (92,700,369)	–

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Net amount
	HK\$	HK\$	HK\$	HK\$	Financial instruments HK\$ Collateral received HK\$	HK\$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	2,173,550,168	(430,739,782)	1,742,810,386		(22,287,952) (13,268,788)	1,707,253,646
Repurchase agreements	5,628,292,852	–	5,628,292,852		(5,628,292,852) –	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds HK\$ (Note 31)	Notes HK\$ (Note 31)	Bank borrowings HK\$ (Note 30)	Other liabilities HK\$ (Note 45)	Lease liabilities HK\$ (Note 32)	Total HK\$
At 1 January 2025	649,739,968	60,960,087	2,621,311,780	96,457,776	30,800,152	3,459,269,763
Financing cash flow:						
– Borrowing raised	–	–	12,845,552,130	–	–	12,845,552,130
– Repayments of borrowings	–	–	(10,337,208,000)	–	–	(10,337,208,000)
– Proceeds from issue of notes	–	129,185,883	–	–	–	129,185,883
– Redemption of notes	–	(181,043,906)	–	–	–	(181,043,906)
– Interest paid	(33,126,879)	(2,528,233)	(104,921,097)	–	–	(140,576,209)
– Capital element of lease rentals paid	–	–	–	–	(18,781,423)	(18,781,423)
– Interest element of lease rental paid	–	–	–	–	(1,113,533)	(1,113,533)
– Contribution from third-party unitholders/shareholders of consolidated investment funds	–	–	–	109,221,570	–	109,221,570
– Withdrawals from third-party unitholders/shareholders of consolidated investment funds	–	–	–	(153,289,094)	–	(153,289,094)
Net assets acquired at the date of acquisition attributable to third-party unitholders/shareholders of consolidated investment funds	–	–	–	225,326,699	–	225,326,699
Fair value changes of interests held by third-party unitholders/shareholders of consolidated investment funds	–	–	–	23,434,765	–	23,434,765
Finance cost	33,952,414	1,839,376	131,392,968	–	1,113,533	168,298,291
At 31 December 2025	650,565,503	8,413,207	5,156,127,781	301,151,716	12,018,729	6,128,276,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

	Bonds HK\$ (Note 31)	Notes HK\$ (Note 31)	Bank borrowings HK\$ (Note 30)	Other liabilities HK\$ (Note 45)	Lease liabilities HK\$ (Note 32)	Total HK\$
At 1 January 2024	2,087,232,051	168,281,769	2,184,584,146	140,274,408	48,656,660	4,629,029,034
Financing cash flow:						
– Borrowing raised	–	–	4,788,391,300	–	–	4,788,391,300
– Repayments of borrowings	–	–	(4,352,049,300)	–	–	(4,352,049,300)
– Proceeds from issue of notes	–	310,465,659	–	–	–	310,465,659
– Redemption of notes	–	(417,524,019)	–	–	–	(417,524,019)
– Proceeds from issue of bonds	2,326,711,241	–	–	–	–	2,326,711,241
– Redemption of bonds	(3,755,811,108)	–	–	–	–	(3,755,811,108)
– Interest paid	(133,649,657)	(8,075,987)	(80,467,421)	–	–	(222,193,065)
– Capital element of lease rentals paid	–	–	–	–	(17,856,508)	(17,856,508)
– Interest element of lease rental paid	–	–	–	–	(2,027,348)	(2,027,348)
– Withdrawals from third-party unitholders/shareholders of consolidated investment funds	–	–	–	(8,233,479)	–	(8,233,479)
Operating cash flow:						
– Change in accruals and other payables	–	–	–	(40,197,260)	–	(40,197,260)
Fair value changes of interests held by third-party unitholders/shareholders of consolidated investment funds	–	–	–	4,614,107	–	4,614,107
Finance cost	125,257,441	7,812,665	80,853,055	–	2,027,348	215,950,509
At 31 December 2024	649,739,968	60,960,087	2,621,311,780	96,457,776	30,800,152	3,459,269,763

43. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following material transactions with related parties.

(a) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 11(a), the remuneration of other members of key management during the years ended 31 December 2025 and 2024 was as follows:

	2025 HK\$	2024 HK\$
Short-term benefits	29,148,623	33,982,297
Post-employment benefits	198,000	228,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Right of trading of RMB denominated securities in the PRC

During the years ended 31 December 2025 and 2024, the Group invests in RMB denominated securities in the PRC using the approved quota under the PRC RMB Qualified Foreign Institutional Investor program of the immediate holding company for consideration of HK\$1 per annum.

(c) Consultancy services from a fellow subsidiary

The Company has entered into a service agreement with Industrial Securities (Shenzhen), a fellow subsidiary, pursuant to which Industrial Securities (Shenzhen) has agreed to provide consultancy services to the Group for a fee charged at cost plus a mark up of 6%.

During the year ended 31 December 2025, the Company paid a consultancy service fee of HK\$6,501,639 (2024: HK\$14,779,713) to Industrial Securities (Shenzhen) in accordance with the relevant service agreement.

(d) Right of use of trademark

During the years ended 31 December 2025 and 2024, the Group was granted by the immediate holding company a non-transferable and non-assignable license to use its registered trademarks for the Group's business and any related businesses for consideration of HK\$1 per annum.

(e) Management services to the immediate holding company

During the year ended 31 December 2025, the Company received a management service fee income of HK\$2,848,215 (2024: Nil) from Industrial Securities (Hong Kong), the immediate holding company, for providing management services.

(f) Notes subscribed by a director of the Company

During the year ended 31 December 2025, a director of the Company has subscribed the notes amounting to USD2,520,000 (2024: HKD3,600,000 and USD2,270,000, respectively) issued by the Company, of which nil amount remained outstanding as at 31 December 2025 (2024: HKD2,100,000 and USD1,370,000, respectively).

The related party transactions in respect of item (c) above also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The details have been set out in the section headed "Continuing Connected Transactions" of the Report of the Board of Directors.

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44. SUBSIDIARIES

The particulars of the Group's subsidiaries and consolidated investment funds are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid up share capital	Equity attributable to the Group at 31 December		Principal activities
				2025 %	2024 %	
<i>Directly owned</i>						
China Industrial Securities International Brokerage Limited	Hong Kong	Hong Kong	HK\$3,500,000,000	100	100	Securities dealing and broking and securities margin financing
China Industrial Securities International Futures Limited	Hong Kong	Hong Kong	HK\$50,000,000	100	100	Futures and options contracts broking
China Industrial Securities International Capital Limited	Hong Kong	Hong Kong	HK\$130,000,000	100	100	Corporate finance services
China Industrial Securities International Asset Management Limited	Hong Kong	Hong Kong	HK\$110,000,000	100	100	Advising on securities and asset management services
China Industrial Securities International Custody Limited	Hong Kong	Hong Kong	HK\$10,000,000	100	100	Not yet commenced business
China Industrial Securities International Investment Limited	Hong Kong	Hong Kong	HK\$20,000,000	100	100	Investment holding
China Industrial Securities International Wealth Management Limited	Hong Kong	Hong Kong	HK\$1,000,000	100	100	Wealth management services
<i>Indirectly owned</i>						
CISI Investment Limited	British Virgin Islands	Hong Kong	US\$2,500,000	100	100	Investment trading
CISI Capital Management Limited	British Virgin Islands	Hong Kong	US\$1	100	100	Investment holding

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44. SUBSIDIARIES (Continued)

Name of investment fund	Place of incorporation/ establishment	Place of operation	Class of share	Effective interest holding at 31 December		Principal activities
				2025 %	2024 %	
<i>Indirectly owned</i>						
IS Investment Fund Segregated Portfolio Company – CIS Resources Fund Segregated Portfolio ("CISRF") (note a)	Cayman Islands	Hong Kong	Participating	100	100	Investment trading
IS Investment Fund Segregated Portfolio Company – WVCIS Value Growth Fund Segregated Portfolio ("CISWF") (note a)	Cayman Islands	Hong Kong	Participating	32.52	36.80	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS The Belt and Road PE Fund I ("CISBF") (note a)	Cayman Islands	Hong Kong	Participating	50	50	Investment trading
CISI Selection Fund Series – CISI Global USD Money Market Fund ("USDMMF") (note b)	Hong Kong	Hong Kong	Not applicable	69.85	–	Investment trading
CISI Selection Fund Series – CISI Global HKD Money Market Fund ("HKDMMF") (note b)	Hong Kong	Hong Kong	Not applicable	77.77	–	Investment trading

Notes:

- (a) China Industrial Securities International Asset Management Limited ("CISI Asset Management"), a wholly-owned subsidiary of the Group, holds all management shares of IS Investment Fund Segregated Portfolio Company ("IS IFSPC"). CISI Asset Management has been appointed as an investment manager of CISRF, CISISF, CISWF and CISBF under IS IFSPC. The Group holds significant participating shares in the above mentioned funds. The directors of the Company are of the opinion that CISRF, CISISF, CISWF and CISBF are regarded as consolidated structured entities of the Group as the Group is able to exercise control over its operation and has significant variable financial interests as at 31 December 2025.
- (b) CISI Asset Management is the manager of CISI Selection Fund Series ("CISISFS"), an open-ended unit trust established as an umbrella fund under the laws of Hong Kong. During the current year, the Group subscribes and holds significant number of units of USDMMF and HKDMMF, the sub-funds of CISISFS. The directors of the Company are of the opinion that USDMMF and HKDMMF are regarded as consolidated structured entities of the Group as the Group is able to exercise control over its operation and has significant variable financial interests as at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

45. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including investment funds. For the investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of funds it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. During the year ended 31 December 2025, gain contributed by the consolidated investment funds (excluding third party interests as stated below), were HK\$23,516,432 (2024: HK\$1,709,248). As at 31 December 2025, the total assets and total liabilities (excluding third party interests as stated below) of the consolidated investment funds, were HK\$851,905,840 and HK\$1,119,499 respectively (2024: HK\$170,945,788 and HK\$20,464,586 respectively).

Third-party interests in consolidated structured entities consist of third-party unit holders/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders/shareholders in consolidated investment funds that are subject to the actions of third-party unit holders/shareholders.

For the year ended 31 December 2025, changes in interests held by third-party unit holders/shareholders of HK\$23,434,765 (2024: HK\$4,614,107) in consolidated structured entities are included as other loss within other gains or losses in the consolidated statement of profit or loss and other comprehensive income and the interests held by third-party unit holders/shareholders amounted to HK\$301,151,716 (2024: HK\$96,457,776) as at 31 December 2025 are included in other liabilities in the consolidated statement of financial position.

46. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

A wholly-owned subsidiary of the Company, CISI Asset Management, serves as the investment manager of several investment funds, which are considered to be structured entities within the definition of HKFRS 12 *Disclosure of interests in other entities*. The directors of the Company are of the opinion that certain investment funds are regarded as unconsolidated structured entities as the Group does not hold any participating shares in the investment funds and is not able to exercise control over their operation, or it has no significant variable financial interest. Hence, they are not consolidated in the consolidated financial statements.

CISI Asset Management receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities invest in a range of asset classes. The carrying values of the Group's interests in these unconsolidated structured entities as recognised in the consolidated statement of financial position as at 31 December 2025 is HK\$579,148 (2024: HK\$2,106,918) (included in accounts receivable) and the management fee and performance fee recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025 is HK\$7,582,444 (2024: HK\$9,287,707). The net asset value of total assets under management for these funds amounts to approximately HK\$5,267 million as at 31 December 2025 (2024: HK\$5,286 million).

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46. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest their capital, from third-party investors, in a portfolio of assets according to respective investment restrictions set out in the offering documentation in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, the portfolio of assets held by these unconsolidated structured entities are susceptible to market price risk and the performance of the investment manager.

Maximum exposure to loss

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is limited to the carrying amount mentioned as above.

Financial support

The Group has not provided financial support to any of its unconsolidated structured entities during the years ended 31 December 2025 and 2024, and has no contractual obligations or current intention of providing financial support in the future.

Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Group's interest in the unconsolidated structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 HK\$	2024 HK\$
Non-current assets		
Property and equipment	16,428,035	36,530,908
Intangible assets	4,870,896	5,770,362
Investment in subsidiaries	3,673,141,610	3,620,006,040
Deposits, other receivables and prepayments	6,256,410	6,266,410
Deferred tax assets	20,729,551	15,158,186
	3,721,426,502	3,683,731,906
Current assets		
Tax receivable	5,217,728	1,265,569
Deposits, other receivables and prepayments	5,654,397	6,177,404
Financial assets at fair value through profit or loss	410,635	–
Amounts due from subsidiaries	6,425,807,697	3,664,989,785
Bank balances – general accounts and cash	48,992,194	326,498,724
	6,486,082,651	3,998,931,482
Current liabilities		
Accruals and other payables	111,480,841	79,068,208
Amounts due to a fellow subsidiary	5,136,472	14,002,026
Notes	8,413,207	60,960,087
Bank borrowings	5,156,127,781	2,621,311,780
Lease liabilities	12,018,729	19,365,469
	5,293,177,030	2,794,707,570
Net current assets	1,192,905,621	1,204,223,912
Non-current liabilities		
Lease liabilities	–	11,434,683
Bonds	650,565,503	649,739,968
	650,565,503	661,174,651
Net assets	4,263,766,620	4,226,781,167
Equity		
Share capital	400,000,000	400,000,000
Share premium	3,319,547,592	3,359,547,592
Accumulated loss	(898,222,793)	(975,208,246)
Capital reserve	442,441,821	442,441,821
Equity attributable to holders of the ordinary shares	3,263,766,620	3,226,781,167
Equity attributable to holders of other equity instruments	1,000,000,000	1,000,000,000
Total equity	4,263,766,620	4,226,781,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movements in the Company's components of equity

	Share capital	Share premium	Capital reserve	Accumulated loss	Other equity instruments	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2024	400,000,000	3,359,547,592	442,441,821	(1,083,585,088)	1,000,000,000	4,118,404,325
Profit and total comprehensive income for the year	-	-	-	124,176,842	-	124,176,842
Distribution to holder of other equity instrument	-	-	-	(15,800,000)	-	(15,800,000)
At 31 December 2024 and 1 January 2025	400,000,000	3,359,547,592	442,441,821	(975,208,246)	1,000,000,000	4,226,781,167
Profit and total comprehensive income for the year	-	-	-	123,235,453	-	123,235,453
Dividends paid	-	(40,000,000)	-	-	-	(40,000,000)
Distribution to holder of other equity instrument	-	-	-	(46,250,000)	-	(46,250,000)
At 31 December 2025	400,000,000	3,319,547,592	442,441,821	(898,222,793)	1,000,000,000	4,263,766,620

48. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2025, the directors consider the immediate holding company is Industrial Securities (Hong Kong) Financial Holdings Limited which is incorporated in Hong Kong. Industrial Securities Company Limited ("Industrial Securities"), a company incorporated in the People's Republic of China (the "PRC"), is the ultimate holding company of the Company. The shares of Industrial Securities are listed on the Shanghai Stock Exchange in the PRC.

49. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the current year's presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

50. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Effective for accounting periods beginning on or after

Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

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

HKFRS 18, *Presentation and disclosure in financial statements*

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

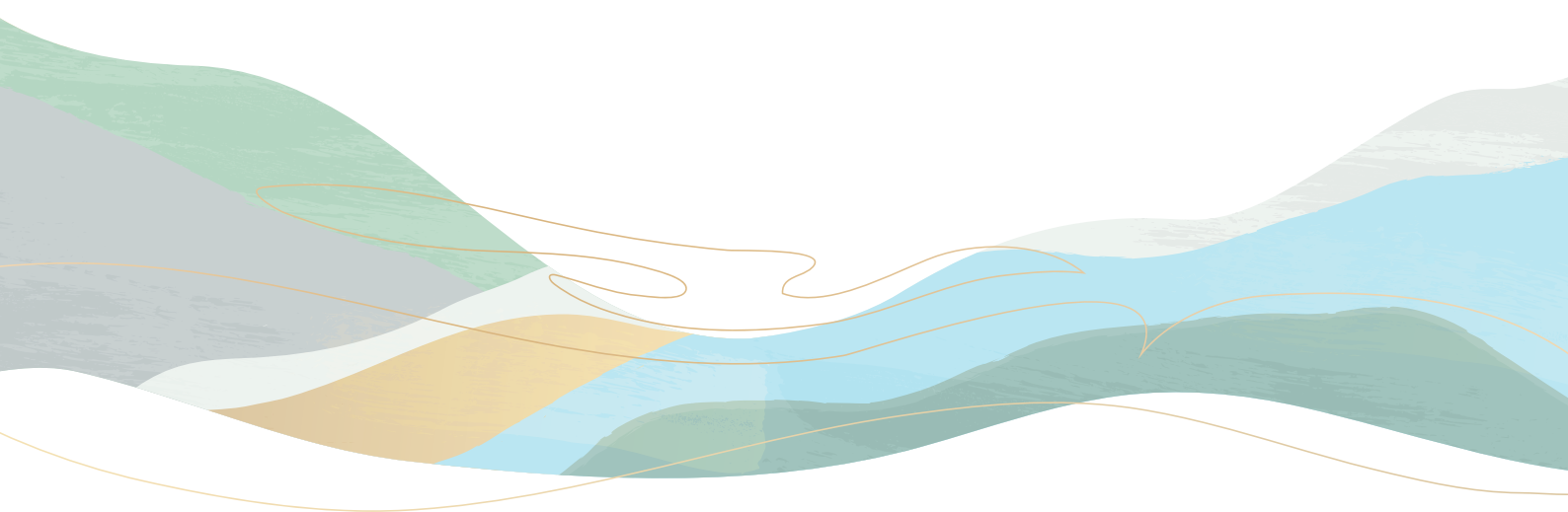
FINANCIAL SUMMARY (UNAUDITED)

RESULTS

	Year ended 31 December				2025 HK\$
	2021 HK\$	2022 HK\$	2023 HK\$	2024 HK\$	
REVENUE	636,370,709	258,004,188	543,354,617	881,083,621	911,245,968
Other income	31,386,354	116,493,723	191,738,746	192,598,937	154,899,261
Share of result of a joint venture	(20,060,274)	–	–	–	–
Finance costs	(187,871,898)	(182,003,396)	(288,901,605)	(468,207,631)	(525,303,081)
Commission and fee expenses	(64,536,118)	(62,899,895)	(39,504,244)	(73,923,838)	(59,273,351)
Staff costs	(159,927,725)	(160,103,290)	(196,919,115)	(238,852,308)	(196,968,279)
Other operating expenses	(166,202,778)	(163,018,113)	(146,300,880)	(119,736,521)	(119,095,409)
Net (provision for)/reversal of impairment losses					
on financial assets	(95,493,470)	(82,462,673)	(8,416,652)	(37,211,042)	1,567,867
Other gains and losses	75,712,803	(29,294,055)	18,106,895	(1,483,397)	22,947,241
PROFIT/(LOSS) BEFORE TAXATION	49,377,603	(305,283,511)	73,157,762	134,267,821	190,020,217
Taxation	(9,283,964)	7,881,095	(18,593,479)	(26,178,931)	(22,963,242)
PROFIT/(LOSS) FOR THE YEAR	40,093,639	(297,402,416)	54,564,283	108,088,890	167,056,975
Other comprehensive income for the year	–	(94,917,854)	74,500,213	19,847,365	110,970,915
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	40,093,639	(392,320,270)	129,064,496	127,936,255	278,027,890
EARNINGS/(LOSS) PER SHARE					
Basic and diluted (expressed in HK\$)	0.0100	(0.0744)	0.0136	0.0231	0.0302

ASSETS AND LIABILITIES

	As at 31 December				2025 HK\$
	2021 HK\$	2022 HK\$	2023 HK\$	2024 HK\$	
Total assets	16,794,803,131	12,472,181,491	16,552,022,975	15,732,765,924	24,600,339,307
Total liabilities	(12,407,605,159)	(8,477,303,789)	(12,428,080,777)	(11,496,687,471)	(20,172,482,964)
Net assets	4,387,197,972	3,994,877,702	4,123,942,198	4,236,078,453	4,427,856,343



興證國際金融集團有限公司

China Industrial Securities International Financial Group Limited