海通國際
HAITONG

Stock Code : 665.HK

Soaring towards Robustness

Annual Report 2022

Soaring towards Robustness

Geese live in flocks, migrating in groups in response to climate change. They fly along a straight path in close formation, led by the "captain". As a long journey is inevitably turbulent, the flock stay acutely aware of the changing external environment so as to make a timely response, making steady and smooth progress towards their final destination.

Just like the geese, our business operation adopts the collaborative and goal-oriented approach. Against the evolving complicated international business conditions, Haitong International will resolutely stay the course for the strategic goals, with the strategic flexibility to execute business realignment and optimization, while the collaborative teams support each other to soar high in the long-term journey towards business growth and the achievement of sustainable value.

CONTENTS

Financial Highlights

Results

	For the year ended 31 December 2022	2021	Percentage change Increase/(Decrease)
Revenue *(HK$'000)*			
– Commission and fee income	**1,542,901**	3,257,464	(53)
– Interest income	**1,787,537**	1,741,000	3
– Net trading and investment income	**(4,720,892)**	253,720	N/A
Net (Loss)/Profit Attributable to Shareholders *(HK$'000)*	**(6,540,510)**	300,826	N/A
Per share			
Basic (Loss)/Earnings Per Share *(HK Cents)*	**(100.43)**	4.64	N/A
Diluted (Loss)/Earnings Per Share *(HK Cents)*	**(100.43)**	4.63	N/A

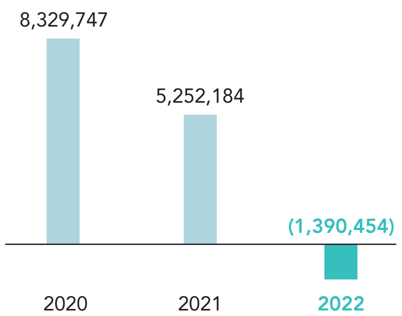
Financial Position

	31.12.2022	31.12.2021	Percentage change Increase/(Decrease)
Shareholders' Funds *(HK$'000)*	**20,688,808**	27,526,445	(25)
Total Assets *(HK$'000)*	**89,097,202**	104,991,595	(15)
Number of Shares in Issue *(Note)*	**6,641,563,594**	6,037,785,086	10
NAV Per Share *(HK$)*	**3.12**	4.56	(32)

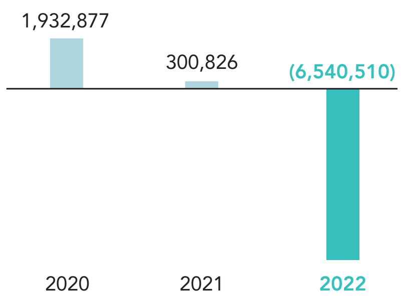
Note:

A bonus issue was made on the basis of one bonus share for every ten existing shares in issue held by the qualifying shareholders during the year. Hence, the total number of shares of the company was increased to 6,641,563,594 as at 31 December 2022.

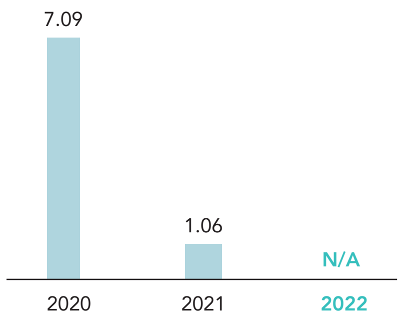
Revenue
(HK$'000)



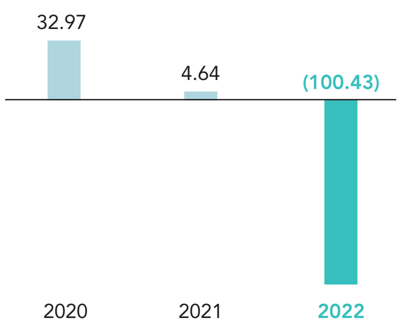
Net (Loss)/Profit Attributable to Shareholders
(HK$'000)



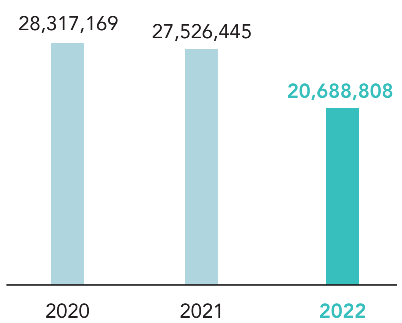
Return on Shareholders' Funds
(%)



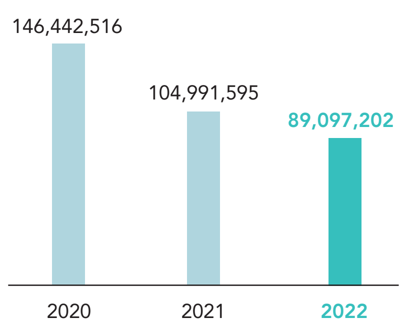
Basic Earnings per Share
(HK cents)



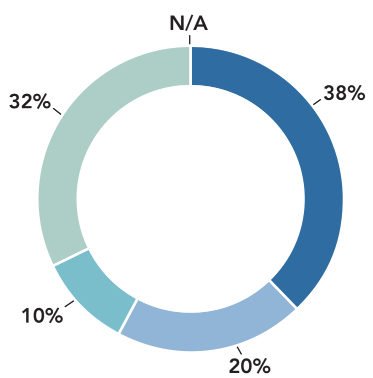
Shareholders' Funds
(HK$'000)



Total Assets
(HK$'000)

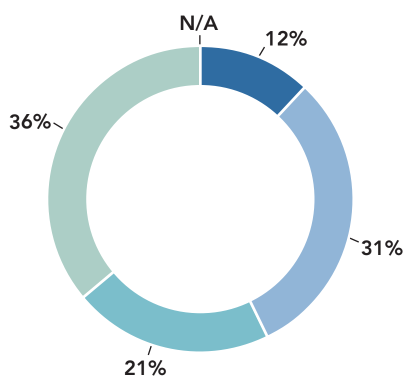


Analysis of 2022 Revenue
(For the year ended 31 December 2022)



- Wealth Management
- Corporate Finance
- Asset Management
- Global Markets
- Investment

Analysis of 2022 Profit
(For the year ended 31 December 2022)

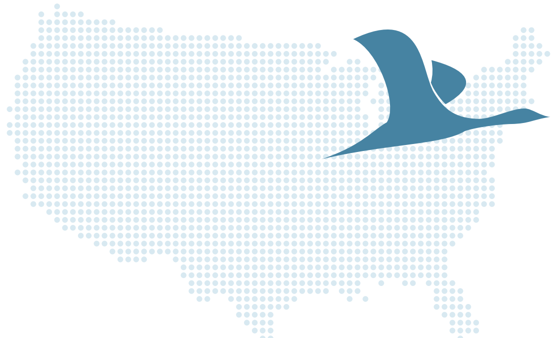


Overseas Footprints

U.S. – New York

Mainly engaged in corporate finance, equity sales and trading

- Completed the SPAC IPO deal for Keyarch Acquisition Corporation listed on the Nasdaq stock market, which makes Haitong International the first among Chinese IBs to conduct underwriting with its U.S. entity.
- Arranged various global roadshows to bring comprehensive and timely investment information to professional investors.



UK – London

Mainly engaged in equity sales and trading, fixed income sales and trading, corporate finance

- Actively participated in Global Depository Receipts (GDR) business, completed 4 European GDR projects, including Ming Yang Smart Energy (MYSE) listed on the London Stock Exchange; Gotion Hi-Tech (GOTION), Lepu Medical (LEPU) and Ningbo Shanshan (SSNE) listed on the Swiss Stock Exchange.

India – Mumbai

Mainly engaged in corporate finance, equity research, cash equities

- Completed 2 financial advisory projects for local enterprises.
- Equity research team from India office ranked No.3 for Best International Brokerages, with Best Analyst for Financials (non-banking), Insurance, Materials sectors in the Asiamoney Brokers Poll 2022.

Business Segments

Wealth Management

Provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a broad range of products and services including securities, futures and options contracts, over the counter products, funds, discretionary account management services, securities custodian services, and securities margin financing.

Corporate Finance

Engages in provision of sponsoring and underwriting services to corporate clients for their fundraising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment also provides financing solutions to the corporate clients and distributes these assets in secondary market.

Asset Management

Engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds, and mandatory provident funds to individual, corporate and institutional clients.

Japan – Tokyo

Mainly engaged in equity research and corporate finance

- Equity research team ranked No.3 for Best International Brokerage, with Best Analyst for Telecommunication Services sector in the Asiamoney Brokers Poll 2022.
- Actively introduced equity investment opportunities for Chinese and international investors by collaborating with other overseas offices.

Singapore

Mainly engaged in corporate finance, private wealth management, fixed income sales and trading, equity sales and trading

- Equity sales and trading team has deepened cooperation with local and international institutions.
- Provided China market research reports with an international perspective for clients in South East Asia.

Australia – Sydney

Mainly engaged in equity sales and trading

- Supported the operation of the Group's A.I. algorithmic trading platform.

Global Markets

Provides a vast range of financial services to a diverse group of institutional clients, such as investment funds, sovereign funds, insurance companies and financial institutions, globally. This segment offers sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory. This segment is supported by the award-winning equity research team that specialises in listed equities in Asian financial markets.

Investment

Invests in various instruments and holds majority of investment securities (measured at amortised cost and at fair value) of the Group. Investments held by this segment include primarily investment funds, listed and unlisted debt and equities, alternative investments (such as real estate investments through investment funds and subsidiaries) and private equities. This segment aims at acquiring investments that generates a reasonable yield while maintaining a robust risk management mechanism.

Major Awards in 2022

January

The Asset

Triple A Sustainable Capital Markets Country & Regional Awards

- China Offshore Best Sustainability Bond – NBFI
- China Offshore Best Sustainability Bond – Real Estate

MPF Rating

MPF Awards

- MPF Ratings – Silver
- 5 Years Consistent Performer – Equity (Global)
- 1 Year Consistent Performer – Core Accumulation Fund
- 1 Year Consistent Performer – Age 65 Plus Fund

February

HKEX

Top Issuer – Turnover

March

HKCAMA-Bloomberg

China Offshore Fund Awards

Best Total Return – Greater China Fixed Income 5 Year – 2nd Runner-up

HKEX

Model of Chinese Brokerage

Insights and Mandate

Professional Investment Awards

- Performance Awards: Global Equity (5 Years) / Global Equity (10 Years)
- Market Awards – Hong Kong: Most Innovative Product (ETF)
- Regional Awards: Best New Product (ETF)
- Sustainable Investment Awards: ESG Fund of the Year (ETF)

April

COUNTRY AWARDS 2022 FinanceAsia

FinanceAsia

Country Awards

Best ECM House – Domestic - Hong Kong

May

Refinitiv

Lipper Fund Awards

Hong Kong Pension Funds Awards:

- Equity Global 3 Years
- Equity Global 5 Years
- Equity Hong Kong 3 Years
- Equity Hong Kong 5 Years
- Equity Hong Kong 10 Years
- Mixed Asset HKD Balanced 3 Years
- Mixed Asset HKD Conservative 3 Years

July

Asiamoney
Best Securities Houses Awards

Best Securities House – Hong Kong

Bloomberg Businessweek
Financial Institutions Awards

High Net Worth (Product/Service) – Excellence

August

Euromoney
Market Leaders Rating

- Hong Kong – Investment Banking (Highly Regarded)
- Hong Kong – ESG (Highly Regarded)

IESGB
ESG Achievement Awards

- Special ESG Awards
- Outstanding ESG Performer of the Year (Listed Company) Platinum Award

September

The Asset
Triple A Sustainable Investing Awards

Most innovative ETF – Europe

October

Asiamoney
Brokers' Poll

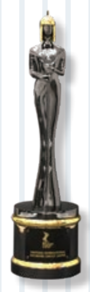
1st ranking, Best Regional Brokerages for Sales Trading (Asia ex Australia & Japan) and 16 categories

Bloomberg Businessweek
ESG Leading Enterprise Awards

Theme Awards – ESG Investing

November

HR Asia
Best Companies to Work for in Asia (Hong Kong)



December

CHKLC & HKBU - CCGFP
Hong Kong Corporate Governance and ESG Excellence Awards

Awards of Excellence in Corporate Governance (Honourable Mention)

HKQAA
Hong Kong Green and Sustainable Finance Awards

- Outstanding Award for Green and Sustainable Bond Lead Manager (Local State-owned Enterprises) – Largest Amount of Green and Sustainability Bonds
- Pioneering Organisation in ESG Disclosure Enhancement

Chairman's Statement

LI Jun
Chairman

Economic, Market and Business Review

In 2022, the world witnessed challenges from geopolitical tensions and market turbulence. Particularly, the on-going Russia-Ukraine war has led to rising geopolitical risks and surging prices of energy and raw materials. The U.S. Federal Reserve, followed by central banks of developed economies, has accelerated to raise interest rate to curb inflation resulting in sharp rise in financing costs for enterprises. Against this background, the global economy experienced remarkable slowdown evidenced by weaker profitability of corporates, implying that the global recovery since the pandemic might come to a halt.

In 2022, almost all asset classes, including stocks, bonds and emerging market exchange rates observed a broad correction. The S&P 500 and Nasdaq indices lost 19% and 33% respectively, the biggest drops since 2008. The 10-year U.S. treasury bonds, having been regarded as a risk-free benchmark investment, also experienced a 50-year record decline in value. According to Bloomberg, over US$30 trillion vaporized in the global stock and bond markets in 2022.

Facing a complicated domestic and global environment, China successfully tamed the pandemic and maintained the economic growth momentum, thanks to its unique institutional advantages and strategies. Therefore, slower economic activities and softer demand in the first half of 2022, particularly in industries like real estates, didn't derail China's economic growth path. Since the 4th quarter in 2022, many businesses, online and offline, resumed to normal as China optimized anti-pandemic restrictions and allowed more trades opened up to international markets. Gross domestic product (GDP) for the year reached RMB121 trillion. Moreover, China's exports remained resilient and hit a record high RMB42 trillion on a high comparison base last year, making the country the largest trader in goods in the world.

The macro environment, coupled with the spread of pandemic, posed a great challenge to Hong Kong in 2022. The Hong Kong economy contracted for 4 consecutive quarters with a GDP growth of –3.5% during the year. Export also recorded a double-digit decline. The Hang Seng Index, recording negative return for the 3rd year, dropped by 15.5% while the Hang Seng TECH Index decreased by 27.2%. The primary market in Hong Kong welcomed only 90 IPOs in 2022 with HK$104.6 billion raised, representing a sharp drop of 68% when compared to last year. Nevertheless, resumption of normal travelling between Hong Kong and Mainland in late 2022 fostered surging flows of people, goods and capital. As Hong Kong has recovered from the economic and pandemic challenges, it is time to embrace a new era.

Amidst the challenging market conditions, Haitong International recorded a loss for the first time since 2009. Nevertheless, Haitong International took a firm stand for long-term business transformation goals with proven results in managing risks, containing costs, restructuring and overcoming shortcomings. By the end of 2022, the total assets stood at HK$89.1 billion, representing a year-on-year decrease of HK$15.9 billion, or 15%. The leverage ratio was 3.83 times, remaining at a low level these years, which help mitigate market risks.

We are committed to sharpen our competitive edge among our investment banking peers on the back of our "One Haitong" philosophy to make concrete contribution to the real economy. The Company completed a total of 30 equity financing projects locally in 2022, ranked no.3 in terms of number of projects among its Chinese and international peers in Hong Kong. 24 green bond and sustainability bond projects were also underwritten with the total amount of over US$8 billion. Relying on the synergies between our local and overseas offices, the Company successfully completed 4 GDR listing projects including Gotion High-Tech and MingYang Smart Energy. More efforts were also put in the development of TRS business. The Asiamoney Brokers Poll 2022, a poll run by the renowned financial publication, granted our research team 17 awards.

Year after year, we have been incorporating Environmental, Social and Governance (ESG) practices into various levels of business operation. In 2022, we were honored to be included in the FTSE4Good Index Series by FTSE Russell, a global index provider under the London Stock Exchange Group. We were also reaffirmed as "A" in ESG rating by the MSCI in recognition of our leadership in the industry. We have assisted in the issuance of green bonds with fundraising amount exceeding US$23 billion over the past 3 years, delivering our promise of providing or assisting in providing support of US$20 billion in relation to ESG and sustainable finance by the end of 2025 three years ahead of schedule. Moreover, a cohort of pundits also granted us sustainability finance and corporate governance awards, showcasing the widespread recognition of our sustainability brand in the global investment arena.

The Outlook

Looking ahead, as the pandemic waned and the Federal Reserve is expected to be less hawkish to hike interest rates, the market sentiment will more or less recover. However, uncertainty is still looming the global economies and markets. The upward inflationary and interest rate pressures together with geopolitical tensions will definitely dampen investment demand. The financial market stability and international trades may also be dampened by risks arisen from mounting debts, global recession and protectionism. The International Monetary Fund forecasted that developed economies, mainly in North America and Europe, will register a sluggish economic growth in 2023. On the contrary, the biggest slice of the pie for the global recovery will be contributed by China.

2023 marks the 3rd year since the start of the 14th Five Year Plan and the first year after the 20th National Congress of the Communist Party of China. This year is meaningful for China to forge ahead according to its established strategies and embrace new challenges. Fortunately, China is facing tailwinds and it is expected to recover at a full speed. However, challenges encountered by economic development should not be underestimated. To foster high-quality and high-level domestic-international dual circulation and craft a new development paradigm, and to strengthen its endogenous growth and resilience, the Central Government will adopt more proactive and sound fiscal and monetary measures in multiple ways and conduits.

Hong Kong has been serving as a gateway and financial hub for China to access the world. After years of pandemic and sheer market volatility, it started to resume to normal as market sentiment improved whereas trade volume and investment rebounded since late 2022. According to the policy address by the new Hong Kong government, more efforts will be focused on attracting key enterprises and innovation & technology talents, increasing land and housing supply, improving people's livelihood and implementing large-scale infrastructure projects. Enjoying strong support from mainland China and being closely connected to the world, Hong Kong is poised to take active part in the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

Boasting distinctive advantages and overcoming its shortcomings, Haitong International will maintain its brand advantage in 2023. Besides echoing with the major national policies of the development of the Guangdong-Hong Kong-Macao Greater Bay Area, we will strengthen our business, integrate internal resources and explore untapped market and business opportunities, pivoting towards our strategic transformation goal. With our solid position, we are proud to become a significant player as a Chinese investment bank in the international arena with global competitiveness, systemic importance and brand influence.

LI Jun
Chairman

Hong Kong, 28 March 2023

CEO's Review

The convergence of multiple crises in 2022 continued to weigh on global economic growth. The geopolitical tensions brought by the ongoing Russia-Ukraine conflict, the soaring inflation in the wake of the epidemic, coupled with interest rate hikes by major central banks to push inflation down, have led to highly volatile global markets, and Hong Kong was no exception. The Hang Seng Index closed at 19,781 points in and dropped by 15% or 3,616 points throughout the year, turning in its worst performance since 2011. The Hang Seng China Enterprises Index declined for the third consecutive year with a drop of 19% over the year. The Hang Seng Technology Index plunged by 27%, while the iBoxx USD Asia ex-Japan China Index fell by 14% over the year. The momentum of Hong Kong's IPO market also slowed down significantly, with only 90 IPO deals completed throughout the year, a significant decline of 68% in total fundraising amount compared with the previous year.

Against the backdrop of the complex global market landscape, Haitong International's business faced substantial challenges and thus its financial performance was inevitably affected during the year. In 2022, Haitong International recorded core income (the aggregated fee and interest income) of HK$3,330 million, down 33% year-on-year; total cost of HK$3,505 million, declined by 7% compared with same period last year. Meanwhile, Haitong International enhanced its cost control and efficiency improvements to offset the rising finance cost in the interest hike environment. The significant loss in 2022 was primarily attributable to (i) drop in commission and fee income, by 53% to HK$1,543 million in 2022, which was in turn due to the drop in both IPO fundraising amount and spot market daily turnover in Hong Kong market; (ii) investment loss, comprising (a) loss of HK$3,443 million in relation to investment in equity and debt securities traded in the secondary markets, while Haitong International has been compressing the size of its relevant investments, and (b) fair value loss of HK$1,654 million in relation to private debt and equity investment as well as alternative investments, as valuation of the relevant investment dropped in response to changes in market capitalization of comparable companies and condition of underlying assets, and (iii) impairment of HK$1,588 million, as market price or valuation of collateral decreased, resulting in increase in expected credit loss.

Nevertheless, Haitong International has a strong foundation in its core business and maintains a stable long-term development strategy. In line with the "One Haitong" philosophy, Haitong International further strengthened the synergies with its parent company and made progress in enriching the investment banking ecosystem which includes asset management, private wealth management and global market businesses around its core investment banking business. In 2022, Haitong International continued to optimize its asset structure, as of 31 December 2022, its total assets were HK$89.1 billion, with net assets of HK$20.7 billion. The leverage ratio was 3.83 times as of December 2022, at a moderate level of the industry.

Enriched the investment banking ecosystem

In 2022, Haitong International's investment banking team acted proactively to live up to the philosophy of "One Haitong", continued to enrich the investment banking ecosystem, deepened cross-departmental and cross-regional collaboration and business innovation, and enabled multiple companies to enter the international capital market, and thereby accelerated the internationalization process of Chinese enterprises. In the Hong Kong market, Haitong International completed 30 equity financing deals during the year, ranked No. 3 by number of deals. In the overseas market, Haitong International completed 1 Special Purpose Acquisition Company (SPAC) listing deal in the United States. This is the first-ever SPAC underwritten by a Chinese investment bank through its entity in the United States. In conjunction with its parent company Haitong Securities, Haitong International actively participated in the global depositary receipt (GDR) business during the year and completed 4 European GDR projects; in the Southeast Asian market, Haitong International has completed 2 financial advisory projects for local enterprises in India.

In the debt capital market, Haitong International has maintained its market leading position in Hong Kong market. As of 31 December 2022, Haitong International ranked No. 3 among global financial institutions in the Asia (ex-Japan) G3 high-yield corporate bond market by number of deals. The DCM team upheld Haitong International's ESG and sustainable finance commitment, and completed 24 green and sustainable bond issuances during the year, with a total financing amount exceeding US$8 billion. At the same time, the team took further steps in developing its debt management business and completed a total of 19 debt management projects in 2022 and ranked top in Bloomberg's APAC Liability Management Bonds League Table.

With years of experience in investment banking, cross-regional and cross-divisional business advantages and exceptional performances in green finance in the Hong Kong market, Haitong International was recognized as the "Best Securities House of the Year (Hong Kong)" by Asiamoney, a leading international financial media for the sixth consecutive year.

Global Markets further enhanced cross-border transaction capabilities

In the midst of geopolitical conflicts and changing monetary policies, global equity markets were highly volatile and generally weakened in 2022. Major indices in global equity markets showed a downward trend with absolute yields on bond assets falling and volatility increasing, resulting in lower investors' trading activity. The average daily trading volume of the Hong Kong stock market was approximately HK$124.9 billion in 2022, a year-on-year decrease of 25%.

Amid the challenging market conditions, Haitong International's global markets team continued to expand its services and provide efficient and professional trading, research and sales services to institutional clients, resulting in another increase in the market share of the Hong Kong equity sales and trading business. During the year, Haitong International made a breakthrough in its cross-border total return swap (TRS) business and opened up a collaborative trading channel with its parent company Haitong Securities which further satisfied the cross-border investment needs of institutional clients.

The equity research team continuously consolidated its cross-border research platform and enhanced research capabilities. During the year, over 1,600 stocks across the world were included in its research portfolio covering the Greater China region, Japan, the Unites States, India, South Korea and others with professional, in-depth, timely and internationally focused research and advisory services delivered to clients. In recognition of its accomplishments, 17 awards, in overall and individual categories, were granted to the Group in Asiamoney Brokers Poll 2022. In 2022, Haitong International's equity research team and Hong Kong Trade Development Council (HKTDC) jointly released a research report entitled "Future Prospects of Healthcare Industry in Mainland China and Hong Kong", in Chinese and English, which successfully gained tremendous attention from both domestic and international investors and industry practitioners.

The fixed income and sales trading team timely adjusted its business in response to market conditions, strengthened cross-departmental collaboration and focused on primary and secondary sales and trading of fixed income securities and products throughout the year. With stringent risk control, the team greatly increased their participation in the investment grade bond market and made significant progress in boosting commission income.

Optimized asset management portfolio

In 2022, Haitong International's asset management team reinforced cross-departmental business collaboration around the core investment banking business and stepped up efforts to develop innovative products and integrated solutions to address clients' needs, including the launch of Haitong Spark Global Multi-Asset Fund S.P. for high-net-worth clients and set up a tailor-made SPAC fund in conjunction with SPAC business in United States and Hong Kong markets. At the same time, the team proactively optimized the product portfolio according to market conditions.

The team also actively promoted ESG-themed investment products, including the world's first ESG focused Asian ex Japan high yield corporate USD bond ETF listed in Europe in 2021. It has achieved net inflows of over US$220 million in 2022, topping the list of European-listed high yield bond ETFs in terms of net inflows.

During the year, Haitong International's managed funds won a number of industry recognitions, such as multiple Hong Kong Pension Funds Awards at Refinitiv Lipper Fund Awards, Professional Investment Awards by Insights and Mandate, and the Most Innovative ETF of Triple A Sustainable Investment Awards by The Asset.

Upgraded Private Wealth Management Services and Products

Haitong International's private wealth management team continued to improve the business model during the year, strengthened its collaboration with the investment banking, asset management and global market teams, to provide professional, efficient and tailor-made private wealth management services and products to entrepreneurs and high-net-worth clients.

Leveraging the investment banking ecosystem, the private wealth management team further accelerated the enhancement of its integrated service capabilities to capture market opportunities and meet the needs of clients. Throughout the year, SPAC funds, flexible asset management products and discretionary accounts have achieved significant synergistic results. The team also accelerated the development of wealth management system and ramped up its digital transformation. During the year, the team successfully rolled out the Employee Stock Ownership Plan (ESOP) system and E-FUND platform, to provide clients with efficient combination of online and offline services.

In 2022, the private wealth management team also enhanced its investment advisory services by organizing regular Chief Investment Officer (CIO) online seminars to share global market trends and investment insights, supporting clients to grasp investment opportunities in a timely manner, as well as increasing client stickiness and business communication. During the period, the team was again awarded the High Net Worth Individual (Service/Product) Excellence Award by Bloomberg Businessweek.

ESG Practice

To take into account its special role as an intermediary in financing, advisory and research activities, Haitong International has always integrated environmental, social and corporate governance (ESG) concepts into all aspects of its business operations, and is committed to promoting ESG and sustainable finance with an aim to become a leading international green investment bank. In 2022, Haitong International was included in the FTSE4Good Index by FTSE Russell, a global indexing arm of the London Stock Exchange, and was reaffirmed by MSCI with an A rating for ESG, placing it at the forefront among the leaders in the industry.

In 2022, Haitong International participated in the issuance of 24 green and sustainable bond projects with a total financing amount exceeding US$8 billion. Many of these green bond projects were highly regarded and recognized by the market for their innovations in green financing framework design and mode of issuance, which helped issuers develop in a green and sustainable manner. Haitong International's equity research team has also consolidated a number of globally accepted ESG rating systems to score the ESG performance of all covered listed companies and included the results in the first page of the research report, providing investors with ESG investment reference guidelines.

During the reporting period, Haitong International actively supported the Hong Kong Government in the fight against the epidemic by donating supplies to help frontline healthcare workers, the grassroots community and the general public through various charity organizations and community groups. Haitong International has been supporting local sports and youth development in Hong Kong for many years. This year, Haitong International joined hands with the Hong Kong Windsurfing Association to organize a high-profile international event – Haitong International iQFOiL Asian Windsurfing Championships and Hong Kong Open Windsurfing Championships, and top players from the United States, South Korea, Japan, Singapore, Thailand and other regions were invited to join the event in Hong Kong. The finals welcomed over 1,000 Hong Kong residents. In 2022, it has continued to support the "Well Dunk!" Basketball league and training scheme run by InspiringHK Sports Foundation, to enhance community cohesion in Hong Kong through sports activities and exchanges with youth.

In 2022, Haitong International launched a global ESG campaign named "Green Thinking, Sustainable Living" for its offices across the world. It comprises a series of activities such as low-carbon commute challenge, environmental workshops, plogging day and tree care day, to closely integrate ESG concepts with the practices of employees.

For details of Haitong International's ESG performance and assessment, please refer to the electronic version of the ESG Report 2022 published in conjunction with the Annual Report.

Prospect

Looking into 2023, the outlook for the global markets remains volatile and challenging. The economic impact of successive interest rate hikes in the United States, as a tool to curb inflation, has already surfaced, while the geopolitical conflict-induced energy crunch in Europe will continue to cause inflation and slow economic growth in the coming year. In this critical period, the Chinese government has introduced a series of fiscal and monetary policies to stimulate its economy, which is beginning to bear fruit and is expected to provide the impetus for a rapid economic recovery. With the easing of epidemic-related restrictive measures and the resumption of normal travel with the Mainland, business and tourism activities in Hong Kong are expected to rebound strongly, leading to a revival of local consumption and retail trade. However, Hong Kong is still under pressure from global interest rate hikes and rising borrowing costs, and market sentiment and investors' appetite for investment are still under considerable pressure.

At this turning point, Haitong International will continue to follow the "One Haitong" philosophy, bolster business collaboration with its parent company, grasp the market opportunities of connectivity, enhance the strengths of investment banking business and drive the development of global market, asset management and private wealth management business. Haitong International will continue to strengthen its risk management and optimize asset structure, enhance efficiency and cost control, and implement ESG strategy.

In good times and bad, all Haitong International staff will remain steadfast and adhere to the core values of "Courageous, Sincere and Innovative", strengthen its strengths and seize market opportunities with agility, to achieve the goal of long-term sustainable development.

LIN Yong *JP*
Deputy Chairman and CEO

Hong Kong, 28 March 2023

Financial Review

Analysis of Financial Statements

The global capital market witnessed unprecedented turmoil in 2022. A salvo of sanctions imposed on Russia in the wake of the breakout of the Russia-Ukraine conflict have disrupted the global supply chain and catalyzed the record high inflation in early 2022. Central banks around the world scrambled to raise interest in a bid to alleviate upward pressure of inflation. Throughout 2022, the Federal Reserve tightened monetary policy by raising the base rate by 425 basis points that impacted the real economy harmfully.

As the gloomy macroscopic economic outlook met the tightening monetary policies laid down by central banks in the EU and US coupled with geographical tensions, the global financial market faced protracted pressures with both safe-haven assets and risky assets plunging. In this view, major stock and bond indexes experienced a free fall in 2022. As at the end of 31 December 2022, Hang Seng index closed at 19,781, representing a decrease of 15.5% for the 2022. The market trading volume decreased by 25.1% as a result of a decline of 68.4% of fundraising from IPOs during the year. ICE BofA index hit its nadir in November 2022 and wrapped up the year with a decrease of 33.2% despite a rebound during the year end.

Since 2020, the Group has refocused itself to investment banking businesses and endeavored to increase the contribution proportion of fee-based income in the entire income portfolio, However, struck by the global events and persistent pandemic rarely seen in a century, the Group was inevitably embroiled in the brisk market sentiment and local economic downturn. Its various investment, margin financing and term financing were weighed on by lackluster market and reported losses. Commission and fee income were also damped by a lower market trading volume and fragile market sentiment. In the face of the new setting and environment locally and globally, the Group will contain its costs in various ways to improve its cost effectiveness and ensure its resources are effectively allocated so as to navigate the storms ahead.

Summary of the Group's financial results over the past 12 months as at the end of 31 December 2022 is as follows:

	2022 **HK$'000**	2021 HK$'000	+/-%
Commission and fee income	**1,542,901**	3,257,464	-53
Interest income	**1,787,537**	1,741,000	+3
Net trading and investment income	**(4,720,892)**	253,720	N/A
Revenue	**(1,390,454)**	5,252,184	N/A
Other income and gains or losses	**193,487**	35,166	+>100
Total revenue	**(1,196,967)**	5,287,350	N/A
Total costs	**3,504,682**	3,763,684	-7
(Losses)/profit before impairment charges and tax	**(4,701,649)**	1,523,666	N/A
(Losses)/profit for the year attributable to the owners of the Company	**(6,540,510)**	300,826	N/A
Key metrics:			
– Basic (losses)/earnings per share (HK cents per share)	**(100.43)**	4.64 (restated)	N/A
– Diluted (losses)/earnings per share (HK cents per share)	**(100.43)**	4.63 (restated)	N/A
– Cost to core revenue1 ratio(%)	**95**	133	-38

Note 1: The Group defines core revenue as the aggregate of commission and fee income, and interest income.

- Commission and fee income amounted to HK$1,543 million, down 53%, mainly attributed to of the weak capital market activities in Hong Kong during 2022. Asset management fee remained stable when compared to the previous year but the performance fee recorded a sharp drop. Commission income from brokerage reported a year-on-year decrease, mainly attributable to the decreasing commission of wealth management segment as well as the high base effect due to the inclusion of income of retail business in the segment during the previous year. Despite a smaller contribution from the commission from institutional clients, it had a larger market share during the year.

- Interest income for 2022 was HK$1,788 million, increasing by 3% from HK$1,741 million in 2021. Although the market interest rate kept rising rapidly in Q4 2022, the Group effectively passed on relevant finance cost to its customers. At the same time, the Group exercised stringent control over credit risks to enhance asset quality. In this light, the average interest bearing assets recorded a year-on-year decrease which offset the increase in interest.

- Net trading and investment income reported a loss of HK$4,721 million, mainly attributable to unrealised losses and impairment on assets in varying degree resulted from decreasing market prices and valuations of the Group's investment as a consequence of stock and bond market fluctuation in Mainland and Hong Kong.

- Total costs decreased year on year by 7% to HK$3,505 million, thanks to the Group's effective measures to save a majority of expenses and the decrease in financial performance-linked bonus and incentives.

- Finance costs stood at HK$1,349 million, increasing by 22% when compared to 2021. This was mainly attributable to rising market rates and surging finance cost in the fourth quarter in 2022. Finance costs was the only cost registering a year-on-year increase in the Group during the year. In 2022, the average funding liabilities of the Group reported a year-on-year decrease.

- Impairment charges were HK$1,588 million, increasing by 98% versus 2021, mainly attributable to the declining market prices or valuations of collaterals which led to increase of credit losses.

Summary of balance sheet of the Group as at 31 December 2022 and 31 December 2021 is as follows:

	2022 HK$'000	2021 HK$'000	+/-%
Assets:			
– Current assets	**72,057,433**	92,601,905	–22
– Non-current assets	**17,039,769**	12,389,690	+38
Total assets	**89,097,202**	104,991,595	–15
Liabilities:			
– Current liabilities	**57,329,620**	63,000,629	–9
– Non-current liabilities	**11,078,774**	14,464,521	–23
Total liabilities	**68,408,394**	77,465,150	–12
Net assets	**20,688,808**	27,526,445	–25
Key metrics:			
– Net current assets	**14,727,813**	29,601,276	–50
– Funding liabilities[2]	**50,985,065**	46,811,954	+9
– Net assets value per share (HK$)	**3.12**	4.56	–32
– Debt-to-equity ratio[3]	**2.46**	1.70	+45
– Leverage ratio[4]	**3.83**	3.33	+15

Note 2: The Group defines funding liabilities as the aggregated amount of repurchase agreements, bank borrowings, and debt securities in issue.

Note 3: Debt-to-equity ratio equals funding liabilities divided by total shareholders' equity (or net assets).

Note 4: Leverage ratio equals total assets excluding accounts payable to clients and accounts receivables from clients for subscription of new shares in IPO divided by shareholders' equity.

- Total assets as of 31 December 2022 were HK$89.1 billion, decreasing by 15% or HK$15.9 billion from 31 December 2021, attributable to the decrease in assets acquired for financial products issued, financial assets held for trading and market making activities, accounts receivable and cash collateral on securities borrowed and reverse repurchase agreements.

  Total liabilities as of 31 December 2022 were HK$68.4 billion, decreasing by 12% or HK$9.1 billion from 31 December 2021, in which accounts payable and financial products issued at fair value decreased.

- Funding liabilities amounted to HK$51.0 billion as of 31 December 2022, increasing by 9% or HK$4.2 billion from 31 December 2021, mainly attributable to the increase of the Group's bank loans, USD bonds and repurchase agreements which serve as financial support to the Group's core businesses. For details of such funding liabilities, please refer to the following section.

- Leverage ratio was 3.83 times as of 31 December 2022, staying at a lowest level for these years.

Overview of Financial Performance

Revenue

Commission and fee income

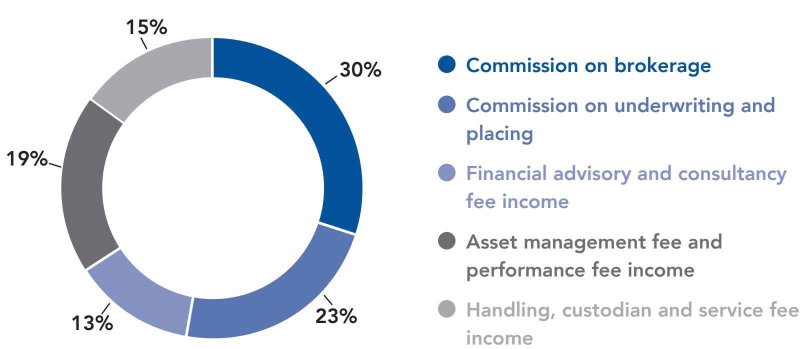
Commission and fee income was HK$1,543 million for 2022, 53% lower than 2021. The decrease was mainly attributable to the decrease in commission on brokerage and commission on underwriting and placing resulted from adverse market conditions such as diminishing market trading volume and funding raising from IPOs; asset management fee and performance fee income were also affected by the market conditions. During 2022, the Group had a small performance fee contribution.

The table below presents fee income by types:

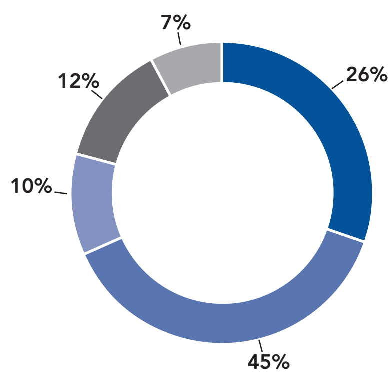
	2022 HK$'000	2021 HK$'000	+/-%
Commission on brokerage	**470,185**	839,162	–44
Commission on underwriting and placing	**355,084**	1,461,896	–76
Financial advisory and consultancy fee income	**195,671**	319,728	–39
Asset management fee and performance fee income	**292,656**	384,380	–24
Handling, custodian and service fee income	**229,305**	252,298	–9
Commission and fee income	**1,542,901**	3,257,464	–53

The charts below show the composition of the Group's commission and fee income in 2022 and 2021:

Composition of commission and fee income in 2022



Composition of commission and fee income in 2021



The Global Markets and Wealth Management segments generated a commission on brokerage amounting to HK$470 million, which included commission income from dealing in securities, futures and over-the-counter products (mainly bonds and financial products). Breakdowns of commission on brokerage attributable to the above segments are as follows:

	2022 HK$'000	2021 HK$'000	+/-%
Wealth Management	114,644	374,956	–69
Global Markets	355,541	464,206	–23
Commission on brokerage	470,185	839,162	–44

During the year, though the commission on brokerage attributable to the Global Markets segment decreased, it captured more market share in the Hong Kong stock market and China Connect market. The commission rate remained stable, representing 76% of total commission on brokerage, representing an increase of 55% versus 2021. Commission on brokerage attributable to the Wealth Management segment was due to the base effect arising from the cease of operation of retail business since April 2021.

Commission and fee income attributable to the Corporate Finance segment consists of underwriting and placing commission, financial advisory and consultancy fee income. Due to a slower momentum in the capital market during 2022, the commission and fee income recorded a year-on-year decrease. The Group is a leading player in the Hong Kong market in terms of the pipeline of IPOs. In this light, the Group is confident to record considerable investment banking related incomes in 2023.

Asset management and performance fee was HK$293 million, representing a decrease of 24% when compared to 2021. During 2022, the management fee remained stable. However, minimal performance fee was recognised in 2022, as the returns of most of the funds and discretionary accounts managed by the Group were affect by the overall market conditions.

Interest income

Interest income was HK$1,788 million, representing an increase of 3% when compared to HK$1,741 million in 2021. This is mainly attributable to the surging interest rate in Q4 2022. However, the Group effectively passed on such part to its customers. At the same time, the Group exercised stringent control over its credit risks to enhance asset quality. In this virtue, the average interest bearing assets recorded a year-on-year decrease which offset the increase in interests.

Interest income from margin financing was HK$691 million in 2022, representing a year-on-year decrease of 15% and accounting for 39% (for 12 months ended 31 December 2021: 47%) of the Group's total interest income As at 31 December 2022, balance of margin financing was HK$12.2 billion, representing an increase from HK$9.2 billion as at 31 December 2021. The Group provided a lower interest rate of margin financing for high-quality collaterals as a way to enhance the quality of its collateral portfolio, but against the context of rising interest rate, the average interest rate remained flat as 2021.

Interest income from term financing was HK$194 million, down 20% versus 2021. Term financing scaled down from HK$2.9 billion as at 31 December 2021 to HK$2.8 billion as at 31 December 2022, mainly attributable to the Group's focus on margin financing business and repayment of certain term financing as they expired during the year.

Net trading and investment income

Net trading and investment income was HK$4,721 million for 2021, the breakdowns of which are as follows:

	2022 HK$'000	2021 HK$'000	+/-%
Net (loss)/income from financial assets held for trading and market making activities	**(87,708)**	365,226	N/A
Net trading income on financial products	**463,848**	530,973	-13
Net (loss)/gain from investment	**(5,097,032)**	(642,479)	N/A
	(4,720,892)	253,720	N/A

Net trading and investment income mainly comprised of net trading income on financial products and net loss from investment. Net trading income on financial products represents the spread received from provision of leverage for product holders but the gains or losses arising from relevant assets are attributable to product holders. During the year, net loss from investment mainly came from the Group's investment funds of which the underlying assets are stocks and bonds traded in the secondary market as well as shares and bonds, private equities, equity investments and alternative investments. Details of net loss from investment is set out in the "Performance Analysis of Investment Segment" below.

Total Costs

The Group's total costs were primarily composed of staff costs, finance costs and operating expenses for regular business activities. Total costs for 2022 were HK$3,505 million, 7% less than HK$3,764 million in 2021. Under the uncertain market conditions, the Group exercised stringent control over its cost and focused on businesses with growth potential to ensure it is able to capture market opportunities once the market rebounds.

The table below presents total costs by type:

	2022 HK$'000	2021 HK$'000	+/-%
Finance costs	**1,349,102**	1,106,837	+22
Staff costs	**1,156,425**	1,316,396	–12
Commission expenses	**11,305**	107,562	–89
Operating expenses			
– Amortisation and depreciation	**234,199**	284,080	–18
– Information technology related expenses	**233,192**	245,669	–5
– Other operating expenses	**520,459**	703,140	–26
Total costs	**3,504,682**	3,763,684	–7

The charts below show the Group's cost structure in 2022 and 2021:

Finance costs

Finance costs in 2022 were HK$1,349 million, increasing by 22% when compared to the same period of previous year. Total funding liabilities increased from HK$46.8 billion as of 31 December 2021 to HK$51.0 billion as of 31 December 2022. Against the background of interest hike, the Group tapped on various funding sources to achieve an average funding cost with rate of increase lower than that of the benchmark interest rate (e.g. 1-month Hong Kong Interbank Offered Rate ("HIBOR")).

In 2022, the market rate rose significantly during the fourth quarter. Although the average bank borrowings of the Group (including drawdowns of bilateral loans and syndicate loans) decreased, the finance costs from bank borrowings of the Group (including bank loans and overdrafts) increased by 41% from HK$544 million in 2021 to HK$766 million in 2022. The Group's cost of funding from bank borrowings was based on spread plus the HIBOR. The Group successfully reduced the spread during the year when compared with the same period of previous year.

Finance costs from non-convertible bonds and notes amounted to HK$488 million in 2022, decreasing by 1% from HK$493 million in 2021 as the Group had issued medium term notes bearing lower interest rates. Furthermore, the Group issued a US$300 million bond in May 2021 bearing a fixed interest rate of 2.125%, being the lowest interest rate among the USD bonds issued by the Group so far. As at 31 December 2022, non-convertible bonds and notes and convertible bonds together amounted to HK$17.2 billion, representing a decrease of 17% or HK$3.6 billion from HK$20.8 billion as at 31 December 2021.

The table below presents finance costs by type:

	2022 HK$'000	2021 HK$'000	+/-%
Finance costs for funding liabilities:			
– bank loans and overdrafts	**766,133**	544,417	+41
– convertible bonds	**–**	1,752	–100
– non-convertible bonds	**417,529**	393,701	+6
– non-convertible notes	**70,893**	99,289	–29
– repurchase agreements and others	**83,500**	56,349	+48
	1,338,055	1,095,508	+22
Interest on lease liabilities[5]	**11,047**	11,329	–2
Finance costs	**1,349,102**	1,106,837	+22

Note 5： Interest on lease liabilities arising from the leasing transactions that are accounted for as right-of-use assets in accordance with HKFRS 16 "Leases"

Staff costs

Staff costs were determined by various factors, including headcount, segmental financial performances, business activities, structure of compensation schemes that matched to the labour market of the industry, as well as the Group's financial performance as a whole. Decrease in staff costs was mainly attributable to decrease in provision for bonus and incentives. In 2022, total staff costs were HK$1,156 million, 12% lower than 2021. The basic salary remained stable. As of 31 December 2022, the Group had 996 employees, decreasing by 19% from 1,225 as of 31 December 2021.

Operating expenses

Amortisation and depreciation decreased by 18% in 2022 as compared to 2021. The decrease was due to a lower right-of-use asset depreciation resulted from the Group's measure to integrate office spaces to increase efficiency as well as the complete depreciation of IT-related software and hardware in 2021.

The Group continued to put resources in information and technology to ensure all its businesses and functions operating without disruption from the 5th wave of Covid-19 pandemic. Infrastructure equipment and system were upgrade to provide clients with high-quality digital services. During 2022, information technology related expenses (including related staff costs, amortisation and depreciation on software and equipment) accounted for 17% (For 12 months ended 31 December 2021: 16%) of total operating expenses of the Group for 2022.

Other operating expenses mainly consisted of spending for regular business operations and general administrative matters. The Group has exercised more stringent cost control measures, monitored and enhanced operating efficiency and at the same time made effective allocation to support the development of its businesses. In 2022, other operating costs in 2022 were HK$520 million, 26% less than 2021 thanks to the Group's successful cost control measures to contain its indirect business development expenditure so as to lower the general administrative expenses.

Impairment Charges

Impairment charges included provision for credit losses on advances to customers, investment securities measured at amortised cost, and accounts receivables and others under the impairment framework and methodology established by the Group in accordance to HKFRS 9 "Financial Instruments". The Group has maintained a transparent impairment provisioning policy when reviewing its credit exposures, aiming at recognising impairment provision on risk assets in the most cautious way and prior to substantial credit deterioration of these assets.

The table below presents impairment charges (net of reversal):

	2022 HK$'000	2021 HK$'000	+/-%
Impairment charge (net of reversal):			
– margin financing	**427,402**	562,271	-24
– term financing	**347,408**	266,674	+30
– investment securities measured at amortised cost	**416,606**	(26,474)	N/A
– receivables and others	**396,423**	(1,950)	N/A
	1,587,839	800,521	+98

Impairment charges recorded a year-on-year increase of 98%, mainly attributable to investment securities measured at amortised cost, receivables and others; impairment charges on margin financing recorded a year-on-year decrease of 24%.

Impairment charges on margin financing fall into the following stages:

	2022 HK$'000	2021 HK$'000	+/-%
Impairment charges on margin financing:			
– Stage 1	**13,127**	179	+>100
– Stage 2	**729**	5,022	-85
– Stage 3	**413,546**	557,070	-26
	427,402	562,271	–24

In 2022, stage 3 impairment charges totaling HK$414 million were made against several individual margin financing clients of the Group. Due to the decreasing value of listed securities pledged to the Group as collaterals, when assessing credit exposures for margin clients, the Group considers the fair value of listed securities pledged to the Group as collaterals, and outstanding balance of the credit exposure, other credit enhancements, and also considering factors such as executable settlement plans that may influence the expected loss that the Group may expose to.

In 2022, the economic outlook deteriorated that caused rising credit risks of unimpaired exposures and intensified fluctuation of financial markets. In this light, the Group made more impairment on stage 1 margin financing during the year.

Analysis by Business Segments

The table below presents the Group's business segments results:

	2022 HK$'000	2021 HK$'000	+/-%
Wealth management:			
– Segment revenue and income	**1,058,325**	1,433,593	-26
– Segment profit before tax	**7,579**	171,649	-96
– Segment margin (%)	**1**	12	-11
Corporate finance:			
– Segment revenue and income	**581,555**	1,790,612	-68
– Segment profit before tax	**19,150**	1,248,288	-98
– Segment margin (%)	**3**	70	-67
Asset management:			
– Segment revenue and income	**292,617**	384,450	-24
– Segment profit before tax	**13,270**	185,676	-93
– Segment margin (%)	**5**	48	-43
Global markets:			
– Segment revenue and income	**966,394**	1,592,857	-39
– Segment profit before tax	**22,853**	411,153	-94
– Segment margin (%)	**2**	26	-24
Investment:			
– Segment revenue and income	**(4,095,858)**	85,838	N/A
– Segment (loss)/profit before tax	**(6,352,340)**	(1,293,621)	N/A
– Segment margin (%)	**N/A**	N/A	N/A
Total:			
– Segment revenue and income	**(1,196,967)**	5,287,350	N/A
– Segment (loss)/profit before tax	**(6,289,488)**	723,145	N/A
– Segment margin (%)	**N/A**	14	N/A

Segment revenu and income (including segment revenue and other income and gains or losses) primarily reflects the results of the respective segments from their business activities and returns from assets held by the respective segments. Segment profit (or loss) before tax also includes segment expenses incurred for revenue generating business activities, as well as allocation of the Group's overall costs.

Wealth management segment

During 2022, this segment continued its aim to become a well-rounded, well-recognised private wealth manager for entrepreneurs, concentrating on constructing a strong base in terms of clientele and branding for long term to broaden the fee-based income and interest income, and to generate stable recurring income streams for the Group amidst the uncertain market conditions.

During the current year, this segment launched new offerings, such as external asset management services ("EAM"), to acquire top-tier client assets and enrich over-the-counter product offerings. Leveraging the Group's leading position in the investment banking sphere, this segment also partnered with the investment banking team to attract new entrepreneurial clients. To enhance the client experience, the private wealth management team jointly organised an investment strategy forum with the asset management team and published reports relating to hot themes in the market.

The private wealth management team also completed phase one of the deployment of a new wealth management system in collaboration with Avaloq, a leading wealth management system provider, to offer high-net-worth and entrepreneurial clients access to brand-new private wealth management experience.

The table below presents the wealth management segment operating results:

	2022 **HK$'000**	2021 HK$'000	+/-%
Commission and fee income	**191,515**	500,946	-62
Interest income	**908,041**	907,974	+0
Other income and gains or losses	**(41,231)**	24,673	N/A
Segment revenue and income	**1,058,325**	1,433,593	-26
Segment expenses	**(616,640)**	(687,337)	-10
Profit before impairment charges and tax	**441,685**	746,256	-41
Impairment charges, net of reversal	**(434,106)**	(574,607)	-24
Segment profit before tax	**7,579**	171,649	-96
Segment margin (%)	**1**	12	-11

Revenue from this segment comprises commission and fee income (mainly including the brokerage commission, and handling fee, custodian fee, and service fee income), as well as interest income from margin financing and bank deposits on client money. Commission and fee income decreased by 62% year-on-year to HK$192 million for 2022, and interest income was HK$908 million, staying flat as 2021.

The contraction in commission income was due to a 25% year-on-year drop in overall market turnover and the retail business' high base effect, which ceased operation in April 2021.

Interest income from this segment came mainly from margin financing and bank deposits of balances in clients' accounts. Interest from margin financing amounted to HK$688 million, a decrease of 11% year-on-year. The decline was mainly attributable to the drop in average margin loan balances, which were impacted by slowing overall market trading activities in Hong Kong since the second half of 2021, as well as the difference in trading behavior between private wealth management clients and legacy clients from the retail business. The margin financing balance as of 31 December 2020 was HK$12.3 billion and fell to HK$9.2 billion as of 31 December 2021. Margin financing balance as of 31 December 2022 rose to HK$12.2 billion. During the year, the Group provided a lower interest rate of margin financing for high-quality collaterals as a way to enhance the quality of its collateral portfolio and reduce credit exposures. In this view, average interest rate given to margin financing clients decreased when compared to the same period of previous year.

Segment expenses were HK$617 million, a decline of 10% year-on-year. Commission expenses decreased by 97% year-on-year as the commission expenses for the first half of 2021 included commission expenses to account executives from January to March 2021. Other types of costs other finance costs decreased due to rising market rates and a decrease in the accrued bonuses and incentives that are closely linked to the financial performance of this segment.

Impairment charges recognised in this segment were mainly credit exposures from margin clients that this segment entails. Further details on the Group's policy for impairment provisioning are stated in the above section.

Corporate finance segment

The Group's investment banking activities were affected by the slowdown in IPO fundraising during 2022. The ECM team completed 30 equity financing underwriting projects (including IPOs, secondary placings, and rights issues), ranked no. 3 among all financial institutions in terms of the number of projects. Leveraging on the Group's global network, the ECM team completed its first SPAC IPO listing in the United States. While underwriting and placing commission attributable to ECM was significantly reduced, the Group is confident that a rebound in fee income will materialise in the second half of 2023, as the Group has the largest pipeline of IPOs among peers.

DCM activities were also affected during the current interim period. The increase in USD interest rates and the monetary easing in the Mainland China resulted in an inverted spread between domestic and overseas issuances. The defaults of Chinese-issued USD high-yield bonds, in particular those issued by real estate developers, had a significant impact on the market demand for such bonds, and the total issuance of such bonds in 2022 fell 86% year-on-year consequently. During the current interim period, the Group completed 173 bond issuance projects and expanded its capability as a financial advisor on debt restructuring, with the DCM team completing 19 debt restructuring projects. The DCM team also completed 24 green and sustainable bond issuances during the year, with a total financing amount of US$8.2 billion.

To expand fee income sources, the merger and acquisitions team completed three projects and is in the process of executing a number of projects with an expected transaction amount of over US$12.5 billion. The loan capital markets team also completed a number of projects, set up a financial institution group, and successfully completed a structured finance project that amounted to US$250 million. The Loan Capital Markets ("LCM") team, through participating in the early stages of equity financing projects, created synergies with other teams within the segment and provided an array of investment banking services.

The table below presents corporate finance segment operating results:

	2022 **HK$'000**	2021 HK$'000	+/-%
Commission and fee income	**550,755**	1,781,624	-69
Interest income	**30,049**	6,112	+>100
Other income and gains or losses	**751**	2,876	-74
Segment revenue and income	**581,555**	1,790,612	-68
Segment expenses	**(464,200)**	(541,939)	-14
Profit before impairment charges and tax	**117,355**	1,248,673	-91
Impairment charges, net of reversal	**(98,205)**	(385)	+>100
Segment profit before tax	**19,150**	1,248,288	-98
Segment margin (%)	**3**	70	-67

Commission and fee income from this segment consists of underwriting and placing commission, and financial advisory and sponsor Fees.

The below table presents commission and fee income of this segment:

	2022 **HK$'000**	2021 HK$'000	+/-%
Underwriting and placing commission:			
– Debt capital markets ("DCM")	**217,142**	503,116	-57
– Equity capital markets ("ECM")	**137,942**	958,780	-86
Financial advisory and consultancy fee income	**195,671**	319,728	-39
	550,755	1,781,624	-69

As mentioned above, underwriting and placing commission attributable to ECM was significantly affected by the overall slump in IPO fundraising amount in the market and the smaller number of deals the Group participated in during the year. Underwriting and placing commission attributable to DCM decreased by 57% year-on-year. Financial advisory and consultancy fee income attributable to the merger and acquisitions team and loan capital markets team amounted to HK$97 million. Fee income generated by these two teams accounted for 50% of the total financial advisory and consultancy fee income.

In 2022, the segment expenses were HK$464 million, a year-on-year decrease of 14%, mainly attributable to the decrease in provision for bonus and incentives but partially offset by the rise of basic salaries.

Impairment charges recognized for this segment mainly represents receivables from clients for this segment.

Asset Management Segment

In 2022, the asset management team launched new products such as Haitong Spark Global Multi-Asset Fund S.P. and SPAC investment fund to meet the investment demand of high-net-worth clients, and also promoted cross-selling activities with the private wealth management segment. The asset management team also reviewed funds under its management and redeployed resources for new investment funds. This segment has also expanded its investment research capabilities and jointly organised an investment strategy forum with the private wealth management team.

The table below presents the asset management segment operating results:

	2022 **HK$'000**	2021 HK$'000	+/-%
Commission and fee income	**292,656**	384,380	-24
Other income and gains or losses	**(39)**	70	N/A
Segment revenue and income	**292,617**	384,450	-24
Segment expenses	**(279,347)**	(198,774)	+41
Segment profit before tax	**13,270**	185,676	-93
Segment margin (%)	**5**	48	-43

Commission and fee income from this segment composed of asset management fee income and performance fee income from the numerous funds managed by the team. Asset management fee income remained stable year-on-year while minimal performance fee was recognised in 2022, as the returns of most of the funds and discretionary accounts managed by the Group was affected by the overall market as of 31 December 2022. Assets under management ("AUM") of this team was HK$39.9 billion (as of December 2021: HK$54.0 billion) as of 31 December 2022.

Segment expenses mainly comprised staff costs and operating expenses, which increased by 41% year-on-year.

Global markets segment

Global market segment comprises of four businesses: cash equities sales and trading, fixed income sales and trading, prime brokerage and equity research.

Despite the drop in market turnover, the cash equities sales and trading team and the equity research team combined to provide one-stop services to institutional customers while expanding the Group's market shares in both the Hong Kong stock market and the China-Hong Kong Stock Connect. That resulted in a significantly smaller decrease in fee and commission income compared with the drop in overall market turnover. During 2022, the fixed income sales and trading team completed its transformation, and upgraded its fixed income business to sales and trading of fixed income securities and fixed income products in both primary and secondary markets. Prime brokerage business led in the development of new products, such as cross-border (Northbound) total return swaps that was aimed at satisfying institutional clients' investment needs; the team also worked closely with Haitong Securities Co., Limited (ultimate parent company) to develop cross-border (Southbound) total return swaps to satisfy the investment demand from Mainland clients. These will help to solidify the Group's leading position in assisting institutional clients investing in China. During 2022, the equity research team recruited a number of award-winning research analysts and expanded the cross-region research capabilities, enhancing communication and collaboration between stock markets in the mainland of China, Japan, and India.

The table below presents the global markets segment operating results:

	2022 **HK$'000**	2021 HK$'000	+/-%
Commission and fee income	**507,975**	590,514	-14
Interest income	**67,171**	85,214	-21
Net trading income:			
– Net (loss)/income from financial assets held for trading and market making activities	**(87,708)**	365,226	N/A
– Net trading income on financial products	**463,848**	530,973	-13
Other income and gains or losses	**15,108**	20,930	-28
Segment revenue and income	**966,394**	1,592,857	-39
Segment expenses	**(936,864)**	(1,182,715)	-21
Profit before impairment charges and tax	**29,530**	410,142	-93
Impairment charges, net of reversal	**(6,677)**	1,011	N/A
Segment profit before tax	**22,853**	411,153	-94
Segment margin (%)	**2**	26	-24

This segment generates revenues from various sources. Commission and fee income from this segment were HK$508 million for 2022, a decline of 14% year-on-year. The contraction in cash equities trading volume is significantly less than the drop in market turnover, and this segment achieved a higher market share in the Hong Kong stock market and the China-Hong Kong Stock Connect. The decrease in interest income was mainly attributable to downsizing of margin financing in large attributable to this segment.

Net trading income of this segment consists of mainly net trading income on financial products, which represents the interest spread charged to product holders on the leverage provided, while the relevant gains or losses on referenced assets belong to the holders.

Segment expenses amounted to HK$937 million, representing a 21% year-on-year decrease, mainly due to a decrease in information technology expenses and professional fees as well as accruals of bonuses and incentives, while basic salaries remained stable.

Investment segment

Investment segment holds investments of various financial instruments, primarily being investment funds of which the underlying assets are stocks and bonds in the secondary market, shares and bonds, and money market funds, funds of funds, investment in private bonds and equities and alternative investments.

The table below presents investment segment operating results:

	2022 **HK$'000**	2021 HK$'000	+/-%
Interest income	**782,276**	741,700	+5
Net (loss)/gain from investments	**(5,097,032)**	(642,479)	N/A
Other income and gains or losses	**218,898**	(13,383)	N/A
Segment revenue and income	**(4,095,858)**	85,838	N/A
Segment expenses	**(1,207,631)**	(1,152,919)	+5
(Loss)/profit before impairment charges and tax	**(5,303,489)**	(1,067,081)	N/A
impairment charges, net of reversal	**(1,048,851)**	(226,540)	N/A
Segment (loss)/profit before tax	**(6,352,340)**	(1,293,621)	N/A
Segment margin (%)	**N/A**	N/A	N/A

This segment's revenue was mainly driven by fair value changes and disposal gain or loss of the investment securities held. Investment securities measured at fair value through profit and loss primarily include (i) investment funds with stocks and bonds traded on secondary markets as their major underlying assets as well as stocks and bonds (HK$15.76 billion; 2021 year end: HK$16.13 billion), while portion accounted for by investment funds carrying a fixed rate of return increased from 35.1% at the end of 2021 to 65.5% at the end of 2022; (ii) money market fund (HK$2.75 billion; 2021 year end: HK$ nil); (iii) private equity funds investment (HK$4.15 billion; 2021 year end: HK$3.04 billion), diversely investing in around 30 investment funds managed by professional private equity investment institutes, focusing on sectors such as medical, consumption, corporate services and biotechnology; (iv) private investment in debt and equity (HK$4.32 billion; 2021 year end: HK$4.76 billion), primarily investing in sectors such as new energy, logistics, medical, environment protection, education, targeted marketing and artificial intelligence; and (v) alternative investments (HK$4.19 billion; 2021 year end: HK$4.22 billion), focusing on biotechnology as well as quality real estate projects in core cities in the PRC and overseas.

Segment expenses mainly include finance costs, staff costs, and direct operating expenses. The increase in segment expenses was mainly due to the rise in finance costs borne by this segment, which aligns with the trend of the Group's finance costs.

Assets and Liabilities

Total assets as of 31 December 2022 amounted to HK$89.1 billion, a decline of 15%, or HK$15.9 billion, from HK$105.0 billion as of 31 December 2021; and total liabilities as of 31 December 2022 amounted to HK$68.4 billion, a drop of 12%, or HK$9.1 billion, from HK$77.5 billion as of 31 December 2021.

In 2022, as the global financial markets faced downward pressure, the Group proactively disposed of its risky financial assets, causing a decrease in financial assets held for trading and market making activities. Investment securities at amortised cost and assets acquired for financial products issued decreased from HK$7.1 billion and HK$17.6 billion as of 31 December 2021 to HK$3.9 billion and HK$10.6 billion as of 31 December 2022. Therefore, the overall asset of Group was scaled back.

In order to set aside funds for its core businesses, the Group's funding liabilities increased from HK$46.8 billion as of 31 December 2021 to HK$51.0 billion as of 31 December 2022. The Group's funding structure was equally proportioned between bank borrowings and debt securities in issue.

Assets

The table below presents details of total assets:

	31 December 2022 HK$'000	31 December 2021 HK$'000	+/-%
Investment securities	**35,031,286**	35,206,503	-0
Advances to customers	**15,048,123**	12,087,797	+24
Assets acquired for financial products issued	**10,564,616**	17,553,645	-40
Cash held on behalf of customers	**9,059,437**	12,820,396	-29
Cash and cash equivalents	**5,002,861**	7,106,485	-30
Accounts receivables	**4,704,423**	8,027,400	-41
Other operating assets[6]	**3,561,643**	3,818,058	-7
Investment properties	**3,405,900**	–	N/A
Cash collateral on securities borrowed and reverse repurchase agreements	**1,404,392**	4,799,467	-71
Financial assets held for trading and market making activities	**903,855**	3,265,941	-72
Other assets	**223,826**	199,664	+12
Derivative financial instruments	**185,760**	106,239	+75
Receivable from clients for subscription of new shares in IPO	**1,080**	–	N/A
Total assets	**89,097,202**	104,991,595	-15

Note 6: Other operating assets are comprised of tax recoverable, prepayments, deposits and other receivables, goodwill and other intangible assets, property and equipment, and deferred tax assets.

The chart below presents the Group's composition of assets as of 31 December 2022 and December 2021:

Composition of total assets as at 31 December 2022

Composition of total assets as at 31 December 2021

Financial assets held for trading and market making activities, investment securities, and derivative financial Instruments

As of 31 December 2022, financial assets held by the Group (including financial assets held for trading and market making activities, investment securities, and derivative financial instruments) were HK$36.1 billion, decreased by 6% from HK$38.6 billion as at 31 December 2021.

Investment loss in 2022 comprised (a) loss of HK$3,443 million in relation to investment in equity and debt securities traded in the secondary markets, while the Group has been compressing the size of its relevant investments, and (b) fair value loss of HK$1,654 million in relation to private debt and equity investment as well as alternative investments, as valuation of the relevant investment dropped in response to changes in market capitalization of comparable companies and condition of underlying assets.

Investment securities at amortised cost decreased by HK$3.2 billion or 45% from HK$7.1 billion as of 31 December 2021 to HK$3.9 billion as of 31 December 2022, which was due to certain investment securities was matured and repaid during the year.

Financial assets held for trading and market making activities mainly consisted of equities and fixed income securities, which was reduced by HK$2.4 billion or 72% from 31 December 2021 to HK$0.9 billion as at 31 December 2022.

The table below presents details of financial assets held by the Group:

	31 December 2022 HK$'000	31 December 2021 HK$'000	+/-%
Investment securities measured at fair value	**31,158,333**	28,152,171	+11
Investment securities measured at amortised cost	**3,872,953**	7,054,332	-45
Financial assets held for trading and market making activities	**903,855**	3,265,941	-72
Derivative financial instruments	**185,760**	106,239	+75
Financial assets held by business segments for revenue and returns	**36,120,901**	38,578,683	-6
Proportion to total assets (%)	**41**	37	+4

Assets acquired for financial products issued

Assets acquired for financial products issued was HK$10.6 billion, accounting for 12% of total assets as at 31 December 2022. The balance decreased by 40% from 31 December 2021, which was mainly due to a number of bond linked notes and fund linked notes were matured during the current year without renewal, and also fair value changes of the underlying instruments while such fair value changes are borne by relevant noteholders.

Advances to customers

Advances to customers (net of impairment allowance) were HK$15.0 billion as at 31 December 2022, increasing by 24% from HK$12.1 billion as at 31 December 2021. The Group's advances to customers primarily consisted of margin financing of HK$12.2 billion as at 31 December 2022, being 81% of advances to customers (as of 2021: HK$9.2 billion, 76% of advances to customers). The remaining part was term financing, which remained stable between balances as at 31 December 2022 and 31 December 2021. Increase in advances to customers in margin financing was due to the wealth management segment's effort in obtaining margin loans with high quality stock collaterals during the current year with a lower interest rate.

Investment properties

As at 31 December 2022, investments held by the Group include investment properties with carrying value of HK$3.4 billion as at 31 December 2022.

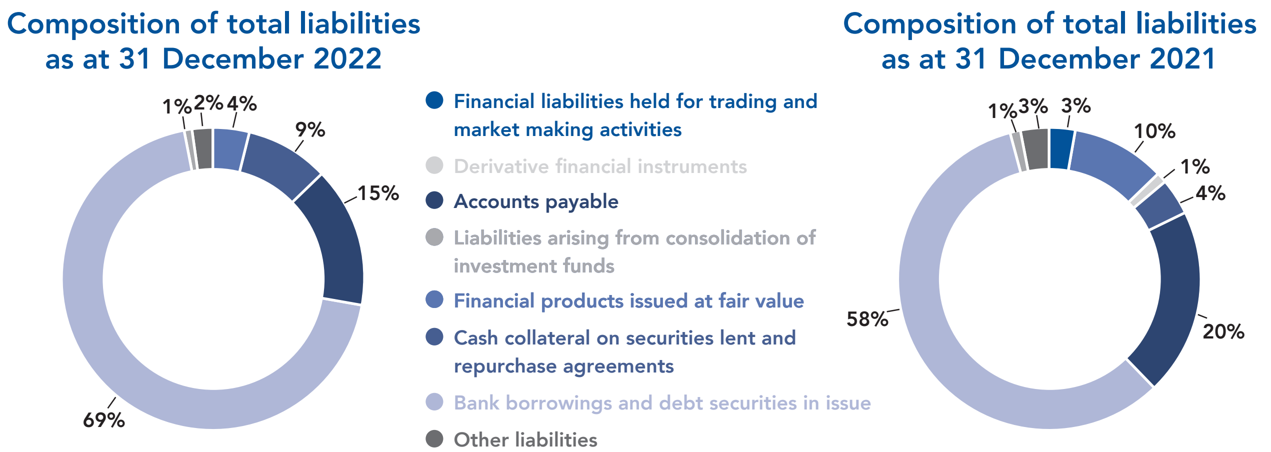
Liabilities

The table below presents details of total liabilities:

	31 December 2022 HK$'000	31 December 2021 HK$'000	+/-%
Bank borrowings and debt securities in issue	**47,059,648**	44,817,991	+5
Accounts payable	**10,601,632**	15,725,062	-33
Cash collateral on securities lent and repurchase agreements	**5,859,415**	3,077,400	+90
Financial products issued at fair value	**2,882,336**	7,769,780	-63
Other liabilities[7]	**1,329,917**	2,393,364	-44
Liabilities arising from consolidation of investment funds	**361,940**	975,190	-63
Derivative financial instruments	**187,631**	320,368	-41
Financial liabilities held for trading and market making activities	**125,875**	2,385,995	-95
Total liabilities	**68,408,394**	77,465,150	-12

Note 7: Other operating liabilities are comprised of tax payable, other payables, accruals and other liabilities, and deferred tax liabilities.

The charts below preset the breakdown of the Group's total liabilities as of 31 December 2022 and 31 December 2021:



Financial liabilities held for trading and market making activities, and derivative financial instruments

As of 31 December 2022, financial liabilities held for trading and market making activities were HK$0.1 billion and derivative financial liabilities were HK$0.2 billion, aggregating to HK$0.3 billion as of 31 December 2022, representing a decrease of 88% as compared with the balance of HK$2.7 billion as of 31 December 2021.

Financial products issued at fair value

Financial products issued at fair value were HK$2.9 billion as of 31 December 2022, a decrease of HK$4.9 billion or 63% from 31 December 2021, mainly due to a number of bond-linked notes and fund-linked notes maturing during the current year without renewal, and also to fair value changes of the underlying instruments which was being borne by relevant noteholders.

Funding liabilities

The Group defines its funding liabilities as an aggregate of bank borrowings, debt securities in issue, and repurchase agreements. Funding liabilities are maintained for the purposes to acquire assets, to conduct business activities for revenues and returns, as well as to support the Group's overall operations. The below table presents the components of the Group's funding liabilities:

	31 December 2022 HK$'000	31 December 2021 HK$'000	+/-%
Repurchase agreements	**3,925,417**	1,993,963	+97
Secured bank borrowings	**184,630**	78,290	+>100
Unsecured bank borrowings	**29,654,013**	23,925,963	+24
Non-convertible bonds	**14,000,600**	13,983,988	–
Non-convertible notes	**3,220,405**	6,829,750	-53
Total funding liabilities	**50,985,065**	46,811,954	+9
Proportion of liabilities (%)	**75**	60	+15

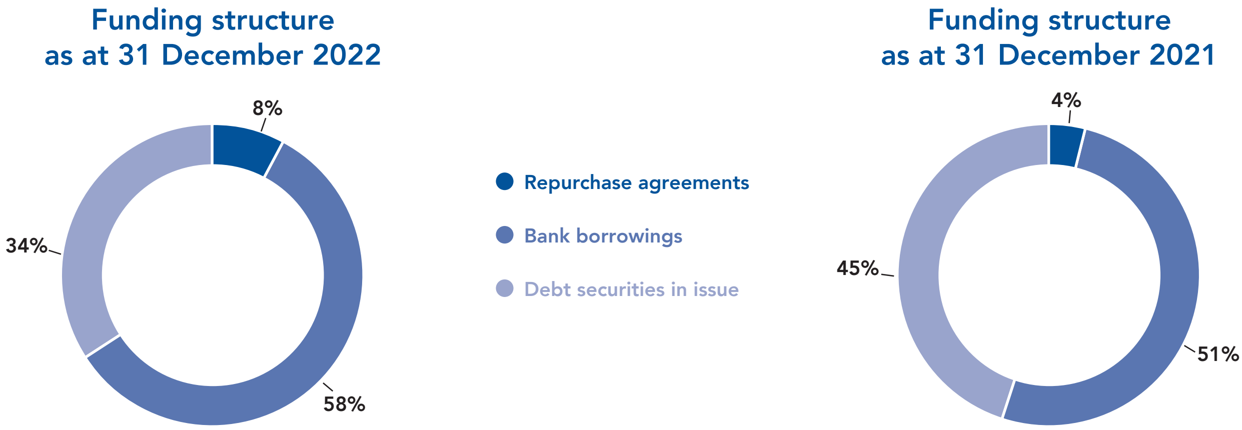
For details on finance costs, please refer to the section above.

Bank borrowings are mainly comprised of bilateral bank loans and syndicated loans. These loans are subject to floating rates with a spread over HIBOR. As of 31 December 2022, total bank borrowings were HK$29.8 billion, an increase of 24%, or HK$5.8 billion, from 31 December 2021. It is the Group's practice to maintain sufficient bilateral and syndicated facilities to ensure the Group is able to seize business opportunities as soon as they arise.

Debt securities in issue include non-convertible bonds and medium-term notes with fixed interest rates dependent on the level of market interest rates at the time of issuance. The balances remained at a stable level as of 31 December 2022 and 31 December 2021, with a total amount of HK$17.2 billion and HK$20.8 billion, respectively.

Repurchase agreements as of 31 December 2022 were HK$3.9 billion, up from HK$2.0 billion as of 31 December 2021. The increase in repurchase agreements was a result of the Group's initiatives to lower its funding costs through using shares pledged by margin financing customers and fixed income securities pledged by counterparties in reverse repurchase agreements. As of 31 December 2022, equity repurchase agreements and bond repurchase agreements amounted to HK$3.4 billion and HK$0.5 billion respectively (31 December 2021: HK$1.1 billion and HK$0.9 billion respectively).

When comparing 31 December 2022 and 31 December 2021, the Group's funding structure was equally proportioned between bank borrowings and debt securities in issue. The chart below shows the Group's funding structure as of 31 December 2022 and 31 December 2021:



Capital Structure and Regulatory Capital

As at 31 December 2022, total issued share capital of the Group was HK$664.156 million (as at 31 December 2021: HK$603.778 million), comprising of 6,641,563,594 shares of HK$0.10 each (as at 31 December 2021: 6,037,785,086 shares of HK$0.10 each).

The table below presents details of share capital and issued shares:

	31 December 2022 HK$'000	31 December 2021 HK$'000	+/-%
Issued share capital	**664,156**	603,778	+10
Number of issued shares	**6,641,563,594**	6,037,785,086	+10

Increase in issued share capital during the current year was due to new shares issued as a result of issue of bonus shares on the basis of one bonus share for every ten existing shares held by the shareholders of the Company. The bonus shares were issued on 23 June 2022. Details of the movement of share capital during the current year are disclosed in note 35 of the consolidated financial statements.

The Group has a number of regulated entities that are subject to the regulatory capital requirements set by respective regulatory bodies globally, including the Hong Kong Securities and Futures Commission, the Monetary Authority of Singapore, the United Kingdom Financial Conduct Authority, the United State Financial Industry Regulated Authority, and the Australian Securities & Investments Commission. All these regulated entities complied with the applicable regulatory capital requirements. In addition, as part of the regulatory capital contingency planning, the Group revisits regulatory capital of these regulated entities regularly to ensure the regulatory capital of each entity is in excess of applicable regulatory requirement at a certain level to absorb losses that may arise from any potential unforeseen circumstances.

Impact on New Accounting Standards and Adoption of Accounting Policies

The Group is required to adopt a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants from 1 January 2022. The amendments to HKFRSs did not result in material impact to the Group's financial positions. Further details of the principal accounting policies are detailed in note 3 of the consolidated financial statement.

Dividend Policy

Objective

This dividend policy (hereinafter referred as the "Policy") was reviewed and adopted by the Board of Directors (the "Board") of the "Company" (together with its subsidiaries, the "Group") on 19 December 2018. The Policy serves as a guideline only regarding distribution of dividends to shareholders of the Company. The Policy shall be subject to the Companies Act 1981 of Bermuda (as in force from time to time) and New Bye-laws of the Company.

The Policy shall not be construed as a commitment on distribution of dividends and shall not have any binding effect on the Company.

Principles

It is the policy of the Board to allow shareholders to participate in the Company's profits but at the same time exercising prudent capital management. Generally, the Policy is to distribute to shareholders with a target annual dividend payout of 50% of the net profit attributable to shareholders in any financial year, but subject to the following factors:

(a) the Company's actual and expected financial performance;

(b) distributable reserves and retained earnings of the Company and each of the subsidiaries (within the meaning of the Listing Rules) of the Group;

(c) the level of the Group's gearing ratio, return on shareholders' equity, and relevant financial covenants;

(d) any restrictions on payment of dividends that maybe imposed by the Group's lenders;

(e) the Group's expected working capital requirements and future business plans;

(f) general economic conditions, business cycle, and other factors (internal and external) that may have an impact on the business performance of the Company; and

(g) any other factors considered as appropriate by the Board.

Ways of Declaring and Distributing Dividend

Dividend provided to shareholders may take the form of interim and/or final dividend. Final dividend shall be recommended by the Board of the Company and declared by the Company in a general meeting of the Company. No dividend shall be declared by excess of amount recommended by the Board. The Board may also declare interim dividend as the Board thinks fit, taking into consideration of the profitability of the Company.

The distribution of dividend to shareholders can be by way of cash, scrip or partly by cash and partly by scrip, or some other ways as determined by the Board from time to time, subject to New Bye-laws of the Company.

Dividend per share recommended or declared is calculated based on the number of shares as of the date of such recommendation or declaration.

Review on the Policy

The Policy will continue to be reviewed by the Board from time to time and the Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Policy at any time, after considering factors including (but not limited to) financial performance of the Company, shareholders' expectation, prudent capital management and other factors as considered appropriate.

Treasury Policies

The Group manages liquidity and cash through diversified sources of funding, including business-generated cash flows, bank borrowings, and funding raised from the capital markets. The Group regularly monitors and optimises financial assets and liabilities in various aspects including composition, maturities, yields, exposures and currencies of financial assets and liabilities to ensure adequate cash and funding available which are well fitted to the Group's strategic focus and risk management in line with its risk appetite.

Long term banking relationships with numerous commercial banks are well maintained to ensure sufficient banking facilities are in place to support the Group's funding needs. These banking facilities are mostly renewable annually and on floating interest rates basis. Subject to market conditions, the Group also taps on capital markets in various currencies. In 2022, the Group successfully renewed US$5 billion Medium Term Note Programme and made drawdowns of HK$3,725 million and US$131 million during the year.

The Group's risk management strategies require actively managing a firm level liquidity base and interest rate profile by obtaining funding from diversified term structures and sources. Numerous liquidity stress tests with supervisory indicators are established and performed regularly to envision the Group's liquidity adequacy under different stress scenarios and conditions. The Group also actively monitors its foreign currencies position, hedging the net exposures with FX derivatives when necessary.

Liquidity and Financial Resources

The financial position of the Group has remained sound and healthy with overall liquidity being maintained at a relatively secured level throughout the year.

As of 31 December 2022, the Group's cash and cash equivalent amounted to HK$5.0 billion. To ensure the Group's capability to finance recurring working capital requirements and meet funding needs as they arise, the Group maintained un-utilised banking facilities of HK$16.4 billion as at 31 December 2022 and adequate issuance limit in the Medium Term Note Programme.

Human Resources Policy

As at 31 December 2022, the Group employed a total of 996 (31 December 2021: 1,225) permanent employees.

The Group will determine the remuneration of employees based on various factors, including the nature of job, market trends and practices, external economic conditions, employee's experiences, qualifications, and capabilities. The Group's remuneration framework has a strong linkage between pay and performance. Base salary and discretionary incentive and bonus will be reviewed on an annual basis by making references to prevailing market practices, strategic focus of the Group, segment performance and the overall results of the Group, and the employee's performance and fulfillment of compliance requirements. Annual reviews are conducted aiming to reward employees for their contributions over the year, and to retain and inspire talented and experienced employees to continue in creating values for the Group. Also, share awards are granted to employees in recognising their contributions to the Group. Other benefits offered by the Group include employer voluntary contributions to mandatory provident fund scheme, various Group insurance schemes, and medical check-up plans.

The Group views employees as an invaluable asset and is committed to promote continuous learning and developing environment. The Group provides a comprehensive range of staff training and development programs, including extensive professional training for licensed persons; training sponsorship scheme to encourage staffs to seek self-development through attending job-related external training courses; financial assistance provision to acquire professional qualification; and offering various compliance training courses. The Group also provides well-round ESG training to apply its ESG philosophy into various aspects of its businesses and operations.

The Group has been running Management Trainee Development Scheme to nurture talents and meet the growing demand at home and abroad. This year, the Group expanded the Summer Internship Program, giving undergraduates (especially penultimate-year students) on-the-job training and exposures in the financial industries.

Material acquisitions and disposals

For the 12 months ended 31 December 2022, the Group had no material acquisition and disposal of subsidiaries, associated companies and joint ventures.

Significant investments held

The Group did not hold any significant investment with value greater than 5% of its total assets as at 31 December 2022.

Charges on group's assets

No asset of the Group was subject to any charge as at 31 December 2022 and 31 December 2021, respectively (except for "collateral" relating to repurchase agreements as set out in note 31 to the consolidated financial statements).

Capital commitments, other commitments and contingent liabilities

Details of commitments and contingencies of the Group are set out in note 37 to the consolidated financial statements.

Subordinated Perpetual Securities

On 17 March 2023, the Company (as issuer), Haitong International Securities Company Limited (as placing agent) and an investee entity of Haitong Securities Co., Ltd. and Haitong International Holdings Limited (as investors) entered into a placing agency and subscription agreement in connection with the subordinated perpetual securities in the aggregate principal amount of USD200,000,000. For details, please refer to the announcement of the Company dated 17 March 2023.

Corporate Governance Report

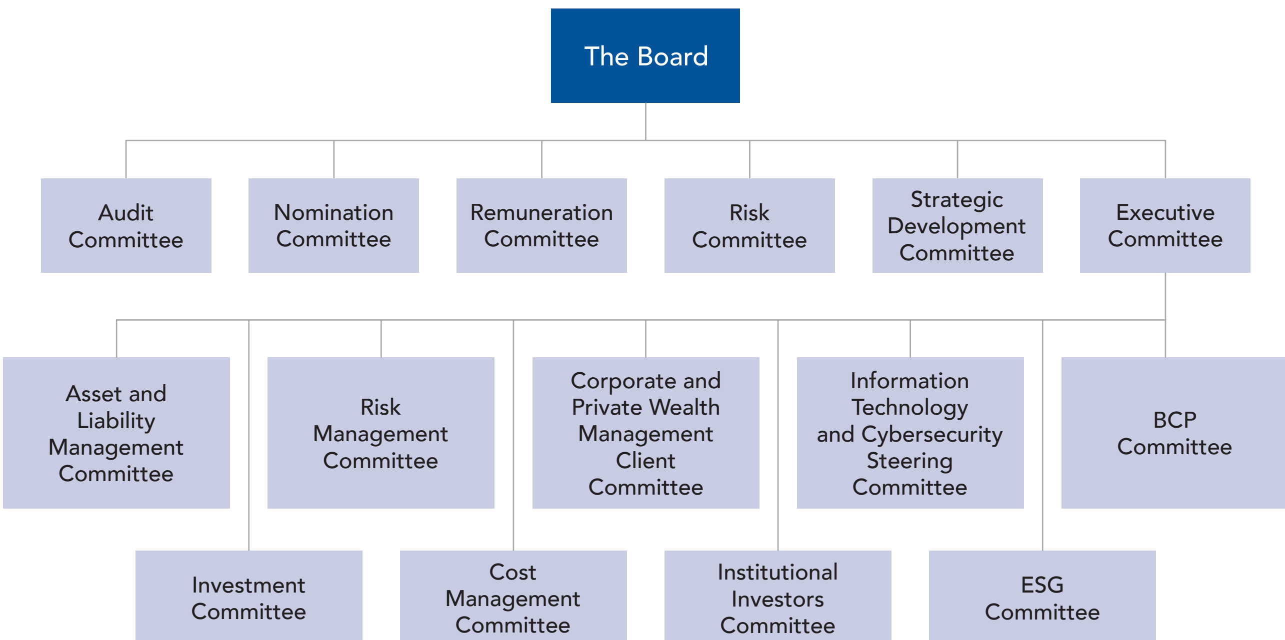
Corporate Governance Practices

The board of directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance practices within the Group. Throughout the year ended 31 December 2022, the Company has fully complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The followings summarise how the Company has applied the principles of the CG Code in its corporate governance practices:

Corporate Governance Structure

The Board believes that a well-balanced corporate governance structure will enable the Company to better manage its business risks and thereby ensure the Company is run in the best interests of its shareholders and other stakeholders. The following diagram depicts the overall corporate governance structure of the Company. The Board is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. At the same time, it is also charged with the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are currently 6 board committees, namely the audit committee (the "Audit Committee"), the executive committee (the "Executive Committee"), the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee"), the risk committee (the "Risk Committee") and the strategic development committee (the "Strategic Development Committee") of the Company (each a "Board Committee"). All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.



The following table shows the attendance of each director of the Company (the "Director(s)") and members of the respective Board Committees at the Board meetings, respective Board Committee meetings and general meetings held during the year ended 31 December 2022:

Name of members of the Board/ the respective Board Committees	Attendance/number of meetings held Board meeting	Audit Committee meeting	Executive Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Risk Committee meeting	Strategic Development Committee meeting	General meeting
The Board								
Chairman and Non-executive Director								
LI Jun	4/4	n/a	n/a	1/1	1/1	n/a	1/1	1/1
Deputy Chairman, Chief Executive Officer and Executive Director								
LIN Yong	4/4	n/a	11/12	n/a	n/a	n/a	1/1	1/1
Deputy Chairman and Executive Director								
LI Jianguo	4/4	n/a	n/a	n/a	n/a	n/a	1/1	1/1
Executive Directors								
POON Mo Yiu	4/4	n/a	11/12	n/a	n/a	n/a	n/a	1/1
SUN Jianfeng	4/4	n/a	11/12	n/a	n/a	n/a	n/a	1/1
SUN Tong	4/4	n/a	12/12	n/a	n/a	n/a	n/a	1/1
Non-executive Directors								
CHENG Chi Ming Brian	4/4	n/a	n/a	n/a	n/a	n/a	0/1	1/1
ZHANG Xinjun	4/4	4/4	n/a	n/a	n/a	n/a	1/1	1/1
Independent Non-executive Directors								
WAN Kam To	4/4	4/4	n/a	n/a	n/a	2/2	n/a	1/1
LIU Swee Long Michael	4/4	n/a	n/a	1/1	1/1	2/2	n/a	1/1
ZHANG Huaqiao	4/4	4/4	n/a	n/a	1/1	2/2	n/a	1/1
LEE Man Yuen Margaret	4/4	n/a	n/a	1/1	n/a	n/a	n/a	1/1
Other Executive Committee Members								
SHI Ping	n/a	n/a	12/12	n/a	n/a	n/a	n/a	n/a
JI Qingyu	n/a	n/a	11/12	n/a	n/a	n/a	n/a	n/a
HUANG Zheng	n/a	n/a	12/12	n/a	n/a	n/a	n/a	n/a
YANG Jianxin	n/a	n/a	6/7	n/a	n/a	n/a	n/a	n/a
WANG Zihao	n/a	n/a	10/10	n/a	n/a	n/a	n/a	n/a
LUK Wai Yin	n/a	n/a	3/3	n/a	n/a	n/a	n/a	n/a
CHOU Chuk Nam	n/a	n/a	2/2	n/a	n/a	n/a	n/a	n/a
Average attendance:	100%	100%	95%	100%	100%	100%	80%	100%

Purpose, Values, Strategy and Culture

With core values of being "courageous, sincere and innovative", the Company strives to serve as a bridge linking up the Chinese and overseas capital markets and has established a financial services network covering major financial markets in the world, aiming at becoming a world-class Chinese financial institution with international competitiveness, systemic importance and brand influence.

The Board

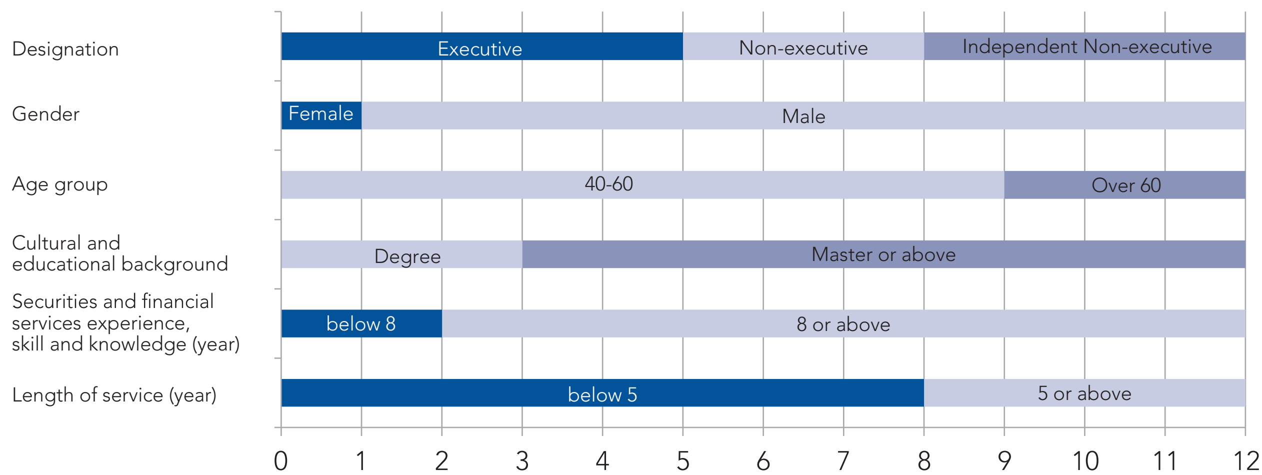
Composition

The Board currently comprises a total of 12 Directors, with 5 executive Directors, namely Mr. LIN Yong (Deputy Chairman and Chief Executive Officer), Mr. LI Jianguo (Deputy Chairman), Mr. POON Mo Yiu, Mr. SUN Jianfeng and Mr. SUN Tong; 3 non-executive Directors, namely Mr. LI Jun (Chairman), Mr. CHENG Chi Ming Brian and Mr. ZHANG Xinjun; and 4 independent non-executive Directors, namely Mr. WAN Kam To, Mr. LIU Swee Long Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen Margaret. Biographical details of the Directors as of the date of this report are set out in the "Board of Directors" section in pages 75 to 79 of this Annual Report.

Board Diversity

The Board has adopted a policy concerning the diversity of Board members (the "Board Diversity Policy"), with the recommendation from the Nomination Committee, in November 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service (altogether, the "Major Diversity Perspectives"). All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of aforesaid Major Diversity Perspectives. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee reviews annually the Board's composition under Major Diversity Perspectives and monitors the implementation of the Board Diversity Policy. During the year, the Nomination Committee has reviewed its practice on Board diversity based on the Major Diversity Perspectives set forth and has come to the conclusion that it is a balanced Board. As at 31 December 2022, the Board's composition under Major Diversity Perspectives was summarised as follows:



The current Board comprises 11 male directors and 1 female director. The Company will continue to consider increasing the proportion of female Board members over time when selecting suitable new or additional candidates for appointments to the Board. The Nomination Committee will review annually the need for achieving higher gender diversity of the Board. The Company expects the above is achievable with suitable effort in promoting gender diversity.

As at 31 December 2022, the female representation is about 48% at workforce level, achieving gender diversity across the workforce.

Meetings

The Board meets regularly at least 4 times a year at quarterly intervals and will meet at other times when the Board thinks appropriate. In general, notice of at least 14 days is given for a regular Board meeting so as to give all Directors an opportunity to attend. Agenda and meeting materials for each meeting are normally circulated to all Directors 7 days in advance of the date of the meeting and in any event not less than 3 days before the meeting. Senior management may, from time to time, be invited to attend the Board meetings for making presentation and/or answering any queries that may be raised by the Board. During the year, 4 Board meetings were held with an average turnout of 100%.

Proceedings of the Board and the Respective Board Committee Meetings

The company secretary of the Company (the "Company Secretary") assists the Chairman and the respective Board Committees in setting agenda for meetings, and each Director is given an opportunity to include any matters to be transacted in the agenda. Where any Director is considered to be having a conflict of interest in any transactions, the Director concerned will not be counted in the quorum of the relevant meeting. All draft minutes of meetings of the Board and the respective Board Committees are circulated to all Directors and Board Committee members for comment before submission to the chairman of the meetings for approval. To further enhance better communication with the Directors as to the business transacted at the Board and the respective Board Committee meetings, an exclusive intranet site is maintained to enable all Directors to gain access to minutes of the meetings of the Board and the respective Board Committees. Minutes of the Board and the respective Board Committee meetings will be posted on this exclusive site within a reasonable timeframe for the information of all Directors and Board Committee members.

In order to safeguard the interest of individual Directors, the Company has arranged directors' and officers' liability insurance for the directors of the Group.

Procedures on Seeking Professional and Independent Views by the Board

The Company has established a procedure for its Directors to seek independent professional advice in appropriate circumstances at the Company's expense in discharging their duties to the Company. The Board considers such procedure is effective in ensuring that independent views and input are provided to the Board. A summary of the procedures on seeking professional and independent views by the Board is set out as follows:

Objective

The Company recognizes that the exercising of independent and professional judgement by the Board on matters presented by the management is crucial to good corporate governance. These written terms of procedures on seeking professional and independent views by the Board (the "Procedure") is to ensure a strong independent element which the Directors may additionally rely upon. Even though independent professional advice is available to the Directors, such advice will not substitute for each Director's duty to exercise due care, due diligence and independent judgement in furtherance of their responsibilities towards the Company.

Procedures to enable Directors to seek professional advice and independent professional advice in appropriate circumstances at the Company's expense

A Director may, individually or collectively with other Directors, seek legal, financial or other professional advice from the Company's professional advisers and, if necessary, advisors independent of those advising the Company in appropriate circumstances to enable them to perform their responsibilities and duties as Directors, either on the Company's affairs or in respect of the performance of their fiduciary or other duties as Directors, at the Company's expense.

A Director shall give reasonable prior notice to the Company Secretary of his or her intention to seek professional or independent professional advice by completing a specified form "Form for Seeking Professional or Independent Professional Advice" (the "Form") which can be downloaded from the useful forms section under the intranet site, providing the name(s) of any professional or independent professional advisers such Director proposes to instruct together with a brief summary of the subject matter.

The Company Secretary shall acknowledge receipt of the Form and then seek quotation from the specified professional or independent professional advisers on the fees to be charged by them. The Company Secretary may seek alternate quotes from other advisers if it is believed that the fees quoted by the specified advisers are unreasonable or the specified advisers may not have the expertise for the advice sought for.

The Company Secretary shall pass the Form together with the selected quotation and any other supporting documents to any one of the non-executive Directors for approval.

For the avoidance of doubt, advice referred to in this Procedure shall exclude any advice concerning the personal affairs or interests of the Directors concerned, e.g. his or her service or engagement agreement with the Company, personal dealings in the Company's securities or disagreements with the Company.

Any advice obtained under this Procedure shall be made available to the other members of the Board at the Board's discretion.

Members, including members other than Directors, of Board committees established under the Board shall have access to the procedures for seeking professional or independent professional advice hereunder if and as required. "Board committees" in this paragraph shall refer to the executive committee comprising Directors and heads of certain major business divisions of the Group (including its direct sub-committees and for the avoidance of doubt, excluding any indirect sub-committees established under such direct sub-committees), the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Committee and the Strategic Development Committee of the Company.

Additional Information

To ensure independent views and inputs are available to the Board, the selection criteria and process of independent non-executive Directors set out in the Company's nomination policy and the requirements on independent non-executive Directors set out in the Listing Rules (as amended from time to time) shall form an integral part of this Procedure.

Review and Monitoring of this Procedure

The Board will review this Procedure on an annual basis to ensure the implementation and effectiveness of this Procedure. This Procedure including any amendment from time to time, shall be approved by the Board.

Chairman and Chief Executive Officer

There is a clear segregation of roles between the Chairman and the Chief Executive Officer (the "CEO"). This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Company and its subsidiaries' businesses. The duties of the Chairman and the CEO are currently carried out respectively by Mr. LI Jun and Mr. LIN Yong. There is no financial, business, family or other material/relevant relationships between the Chairman and the CEO.

Non-executive Directors

The non-executive Directors (including independent non-executive Directors) have served a significant role in the Board by bringing independent judgment on the performance, development and risk management of the Group. All non-executive Directors are appointed for a specific term of maximum 3 years subject to the retirement and re-election provisions in the new bye-laws of the Company (the "New Bye-laws").

Throughout the year ended 31 December 2022, the Company complied with the requirements of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board and at least one of which have appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to the requirement of the Listing Rules, the Company has received from each of the independent non-executive Directors a written confirmation of his/her independence to the Company. The Company considers that all the independent non-executive Directors were independent in accordance with the Listing Rules throughout the year ended 31 December 2022.

Appointment and Re-election

All Directors are appointed for a specific term of maximum 3 years subject to the retirement and re-election provisions in the New Bye-laws. One-third of the Directors are required to retire from office by rotation and, being eligible, may offer themselves for re-election at each annual general meeting in accordance with the New Bye-laws. The names of Directors who are eligible for re-election at general meetings will be disclosed in the notice of the relevant general meetings and their biographical details will be provided in the accompanying circulars. The election of each Director will be subject to the votes of shareholders by way of separate resolutions.

Induction and Continuous Professional Development

An induction kit is provided to each newly appointed Director immediately upon his/her appointment by the Company which contains a package of orientation materials on the operations and businesses of the Group, together with information relating to the duties and responsibilities of Directors under statutory regulations and the Listing Rules. The Company Secretary updates the Directors on the latest developments of and changes to the Listing Rules and the applicable legal and regulatory requirements governing the areas in relation to the discharge of their duties. Same as before, the Company provides all members of the Board with monthly updates on the Company's performance, financial position and prospects.

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. They are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its Directors. According to the training records maintained by the Company, the training received by each of the Directors during the year ended 31 December 2022 is summarised as follows:

	Regulatory updates or corporate governance related materials	Other trainings relevant to Directors' profession or other relevant topics
Chairman and Non-executive Director		
LI Jun	✓	✓
Deputy Chairman, Chief Executive Officer and Executive Director		
LIN Yong	✓	✓
Deputy Chairman and Executive Director		
LI Jianguo	✓	✓
Executive Directors		
POON Mo Yiu	✓	✓
SUN Jianfeng	✓	✓
SUN Tong	✓	✓
Non-executive Directors		
CHENG Chi Ming Brian	✓	✓
ZHANG Xinjun	✓	✓
Independent Non-executive Directors		
WAN Kam To	✓	✓
LIU Swee Long Michael	✓	✓
ZHANG Huaqiao	✓	✓
LEE Man Yuen Margaret	✓	✓

Corporate Governance Function

The Board is collectively responsible for performing such corporate governance duties as:

(a) to develop, review and update the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

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

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

(e) to review the Company's compliance with the CG Code and disclosure in the "Corporate Governance Report"; and

(f) to perform such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by the Directors.

Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022. Securities interests in the Company and its associated corporations held by each of the Directors are set out in the "Report of the Board of Directors" section in pages 80 to 103 of this Annual Report.

Board Committees

Audit Committee

The Audit Committee is currently composed of 2 independent non-executive Directors, namely Messrs. WAN Kam To (Chairman of the Audit Committee) and ZHANG Huaqiao and 1 non-executive Director, namely Mr. ZHANG Xinjun. The Chairman of the Audit Committee has the appropriate financial-related professional qualifications and experience. The Audit Committee will meet no less than twice a year to review all business affairs managed by the executive Directors, in particular those related to connected transactions and continuing connected transactions, if any, and to review the quarterly, interim and annual financial statements of the Group before their submission to the Board for approval. It will also review the effectiveness of the internal control system of the Group. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated results for the year ended 31 December 2022 of the Group. The terms of reference of the Audit Committee are aligned with the requirements of the Listing Rules and the recommendations set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and any updates thereof. A copy of the terms of reference of the Audit Committee has been posted on the Company's website and the website of the Hong Kong Exchange and Clearing Limited ("HKEx") at www.hkexnews.hk.

During the year ended 31 December 2022, the Audit Committee met on 4 occasions with the presence of the external auditor and discharged its responsibilities to review the quarterly, interim and annual results and the effectiveness of the internal control system of the Group. A summary of work performed by the Audit Committee for the year ended 31 December 2022 included reviews of the followings:

- the Directors' report and the consolidated financial statements for the year ended 31 December 2021 of the Group, with a recommendation to the Board for approval;
- the consolidated financial statements for the 3 months ended 31 March 2022, the 6 months ended 30 June 2022 and the 9 months ended 30 September 2022 of the Group, with recommendation to the Board for approval;
- the audit fees for the year ended 31 December 2022 proposed by the external auditor, with a recommendation to the Board for approval;
- the new accounting policies and practices adopted by the Group;
- the continuing connected transactions undertaken by the Group;
- the independence and objectivity of the external auditor;
- the internal control system of the Group;
- the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions;
- the findings and recommendations of the Group's internal auditor on the Group's operations and of the regulatory review carried out by the regulators;
- compliance status of the Group with the applicable regulatory and other legal requirements;
- the Group's investment policy and the adequacy of provision made for diminution in value for the Group's investments; and
- the adequacy of the provision for bad debts.

Executive Committee

The Executive Committee is currently composed of 4 executive Directors, namely Messrs. LIN Yong (Chairman of the Executive Committee), POON Mo Yiu, SUN Jianfeng and SUN Tong as well as heads of certain major business divisions of the Group. The Executive Committee is duly authorised by the Board to manage the day-to-day business of the Group.

Nomination Committee

The Nomination Committee is currently composed of 1 non-executive Director, namely Mr. LI Jun (Chairman of the Nomination Committee) and 2 independent non-executive Directors, namely Mr. LIU Swee Long Michael and Ms. LEE Man Yuen Margaret. The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (including but not limited to the Chairman and the CEO); to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors as set out in Rule 3.13 of the Listing Rules; and reviewing the Board Diversity Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives. The Nomination Committee will meet at least once a year to discharge its responsibilities in accordance with its term of reference. A copy of the terms of reference of the Nomination Committee has been posted on the Company's website and the website of HKEx at www.hkexnews.hk.

During the year ended 31 December 2022, the Nomination Committee met on 1 occasion and a summary of work performed by the Nomination Committee included reviews of the followings:

- assess the independence of the independent non-executive Directors;
- the structure, size and composition of the Board (including the skills, knowledge and experience of Directors), with recommendations made on any proposed changes to the Board to complement the Company's corporate strategy;
- the Board's composition under Major Diversity Perspectives;
- the re-election of the retiring Directors at the 2022 annual general meeting; and
- the terms of reference of the Nomination Committee and the nomination policy.

Information relating to the Board Diversity Policy and the Board's composition under Major Diversity Perspectives are set out in the section headed "Board Diversity" above.

Nomination Policy

Objective

This nomination policy is reviewed and adopted by the Board, with the proposal made by the Nomination Committee, on 28 March 2022. Nomination Committee plays an important role in identifying suitable candidates to sit on the Board, including making recommendations to the Board in respect of the appointment, re-appointment and/or re-designation of Directors to ensure the Board possesses pre-requisite skills, experience and diversified perspectives in line with the Company's business development.

The Board is responsible for proposing the appointment, re-appointment and/or re-designation of directors in general meeting of the Company for the shareholders' consideration and approval after taking into consideration the recommendations of the Nomination Committee.

Selection Criteria

The following criteria are taken into consideration for the proposed appointment and re-appointment of candidates as directors:

- Gender, age, culture, educational background, expertise, experience, skills and service term
- Time devoted to the Board/committee
- Integrity, achievement and experience in the industry
- Independence of candidate in the case of appointment of independent non-executive director
- Other factors as otherwise considered relevant by the Nomination Committee on a case-by-case basis

Nomination Procedure

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

1. The Nomination Committee shall review the structure, size and composition under Major Diversity Perspectives on an annual basis, with or without the assistance of the external party or the Company, to identify and select candidates based on the criteria as set out in the section "Selection Criteria" of section "Nomination Policy" above.

2. The Nomination Committee may make assessment to candidates including but not limited to interviews, background investigation, statement or reference materials in writing provided by such candidates or third parties.

3. The Nomination Committee has the right to convene a meeting or by way of resolution in writing to review appropriate criteria applicable for the selection of candidate as a director.

4. The Nomination Committee shall provide the Board with all required information of the candidates including the information as stipulated in the Rule 13.51(2) and/or Rule 3.13 of the Listing Rules.

5. The Board shall propose the appointment, re-appointment and/or re-designation of directors in general meeting of the Company for the shareholders' consideration and approval after taking into consideration the recommendations of the Nomination Committee.

6. According to Rule 13.74 of the Listing Rules, the details required under Rule 13.51(2) of the Listing Rules of proposed new director or any directors proposed to be re-elected shall be disclosed in the circular accompanying notice to shareholders of the relevant general meeting.

Proposal by Shareholders

The shareholders of the Company can propose candidates for election as a director according to the section "The Procedures for a Shareholder to Propose a Person for Election as a Director" on the Company's website.

Succession Plan

The Board attaches high importance to the succession plan to ensure sustainable development of the Company. For effective management and better development of the Company, the Board consists of suitable members with relevant professional knowledge and skills. To build up its bench strength, the Company strives to train up its staff members with excellent and diversified backgrounds, experience and skills as prospective candidates to fill up the senior management or directorship in future.

Review on the Policy

The Nomination Committee will review this nomination policy on a regular basis to ensure it is in line with the Company's strategies and goals.

Remuneration Committee

The Remuneration Committee is currently composed of 2 independent non-executive Directors, namely Messrs. LIU Swee Long Michael (Chairman of the Remuneration Committee) and ZHANG Huaqiao and a non-executive Director, namely Mr. LI Jun. The responsibilities of the Remuneration Committee include setting remuneration policy of the Group and fixing remuneration packages of the Directors in accordance with the Listing Rules and the New Bye-laws, while such remuneration packages are determined with reference to the remuneration benchmark in the industry and the prevailing market conditions. Details of the remuneration paid to the respective Directors are set out in the financial statements. No Directors can determine their own remuneration packages. The Remuneration Committee is provided with sufficient resources to discharge its duties. A copy of the terms of reference of the Remuneration Committee has been posted on the Company's website and the website of the HKEx at www.hkexnews.hk.

The chairman of the Remuneration Committee will report their findings and recommendations to the Board for consideration and approval. The Remuneration Committee will meet at least once a year to discharge its responsibilities in accordance with its terms of reference.

During the year ended 31 December 2022, the Remuneration Committee met on 1 occasion and a summary of work performed by the Remuneration Committee included reviews of the following:

- the proposal for 2022 remuneration adjustment;
- the proposal for 2021 bonus distribution; and
- the proposal of granting share options.

Risk Committee

The Risk Committee is currently composed of 3 independent non-executive Directors, namely Messrs. ZHANG Huaqiao (Chairman of the Risk Committee), WAN Kam To and LIU Swee Long Michael. The Risk Committee is responsible for advising the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues; considering major investigation findings on risk management matters as delegated by the Board or on its own initiative and management response to these findings; approving the Group's risk policies and risk tolerances; considering emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively; reviewing risk reports and breaches of risk tolerances and policies; reviewing and assessing regularly the adequacy and effectiveness of the Group's risk management framework, internal control system and risk management policies and procedures in identifying, measuring, monitoring and controlling risk, and overseeing their effective operation, implementation and maintenance; reviewing and assessing the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans; reviewing the Group's capital adequacy and solvency level and overseeing the Company's risk management system on an ongoing basis and review of the effectiveness of the Group's risk management system. The Risk Committee will meet at least twice a year at approximately half-yearly intervals to discharge its responsibilities in accordance with its terms of reference. A copy of the terms of reference of the Risk Committee has been posted on the Company's website and the website of HKEx at www.hkexnews.hk.

During the year ended 31 December 2022, the Risk Committee met on 2 occasions and a summary of work performed by the Risk Committee included reviews of the followings:

- the aggregate risk assessment report for the year ended 31 December 2021 of the Group;
- the semi-annual risk assessment report of the Group;
- the 2022 risk tolerance of the Group;
- the 2022 risk policy of the Group; and
- the risk management system of the Group.

Strategic Development Committee

The Strategic Development Committee is currently composed of 3 non-executive Directors, namely Messrs. LI Jun (Chairman of the Strategic Development Committee), CHENG Chi Ming Brian and ZHANG Xinjun and 2 executive Directors, namely Messrs. LIN Yong and LI Jianguo. The main responsibility of the Strategic Development Committee is to assist the Board in formulating medium to long term business development strategies and directions for the Group.

Company Secretary

The Company Secretary, namely Mr. CHOU Chuk Nam, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on corporate governance matters. During the year ended 31 December 2022, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

Risk Management

The Group's principal businesses are exposed to two major types of business risk, namely financial and non-financial risks. Financial risks include liquidity risk, credit risk and market risk, whereas non-financial risks mainly cover operational risk, legal and compliance risks, information technology risk and reputational risk. The Group's management firmly believes that an effective risk management framework and a sound risk management culture are fundamental to both continued existence and successful development of the Group in any business and economic environment. As such, the Group has developed a comprehensive and stringent risk management framework in line with the international practices as the basis for risk management, which includes a three-tier system for risk management and three lines of defence for risk control in line with its risk management infrastructures. Proactive efforts have also been made to promote and foster a risk management culture taking risk management as its core to ensure effective risk management.

Risk Appetite, Risk Management Framework and Culture

The Group's overall risk appetite is "stable and prudent", emphasising stable and conservative operational risk and liquidity risk management, making continuous effort in preserving relevant regulatory indicators consistently meet regulatory requirements; while developing our business in a steady and progressive way, maintaining stable profitability and excellent reputation and social image. The Group's risk tolerance is established starting from the Group's overall risk appetite and embodied in a set of quantitative risk indicators. Top-down approach attributes group risk tolerance to each business unit, forming risk management policy and operation procedure covering each business line, including approved product list (APL), approved trading limits (ATL), risk limits, concentration management, timely risk incidents reporting etc.

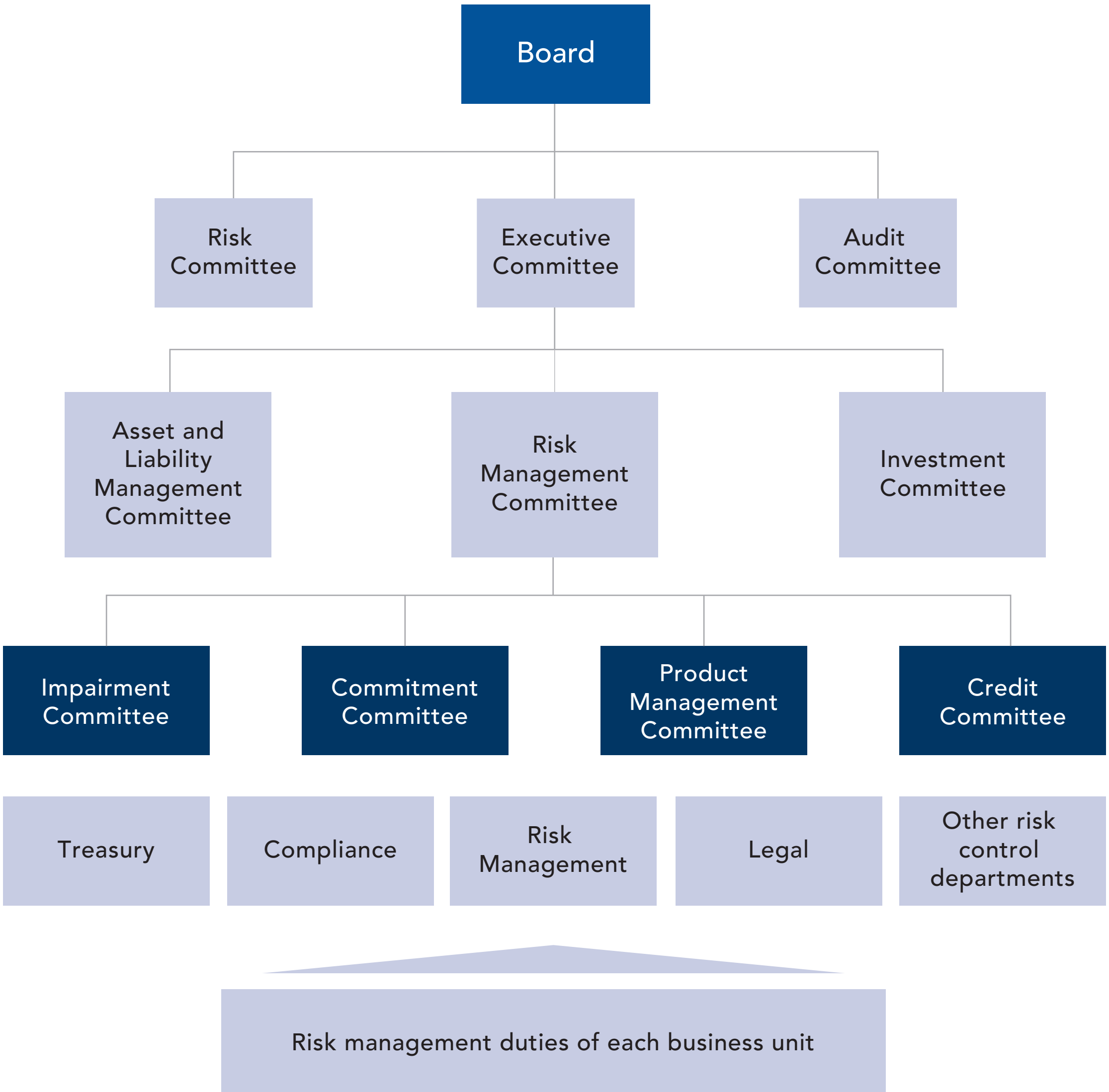
The effectiveness of the Group's risk management framework lies in its clearly-defined risk management objectives and mandates, as well as a fully-fledged risk control system with clear structures, well-defined functions, roles and responsibilities, as well as a comprehensive set of policies and procedures and their respective implementation rules. The prime objective is to have all the business risks effectively identified, measured, analysed and controlled, such as having them measured against defined limits, monitored, reported and managed (including mitigation and elimination of risks), followed by the pursuit of business development on the premise of keeping risks in check.

The Group's risk management framework is embodied by the three-tier system, with the Board and the Risk Committee, a standing committee established by the Board being the first tier and the Group's Executive Committee, the Group Asset and Liability Management Committee, Investment Committee and the Risk Management Committee as the second tier, whereas the executing units, including all business units, business supporting units, legal department, compliance department and risk management department, together constitute the third tier. The Board determines the Group's risk management strategies, including risk appetite and tolerance, as well as guiding principles for overall risk management. The Risk Committee is responsible for overseeing the Group's overall risk management framework and advising the Board on the Group's risk-related matters. On the other hand, the Executive Committee, through its Group Asset and Liability Management Committee, Investment Committee and the Risk Management Committee, is responsible for and guiding the implementation of the Group's risk management strategies as well as the formulation and execution of overall risk management policies, while all the business units within the Group constitute the main body for implementing the risk management policies and procedures.

The risk management department, led by the Group's Chief Risk Officer, works under the guidance of the Risk Management Committee. In line with the international practices, the department has established four functional units, namely, credit risk management, market risk management, operational risk management and group risk management respectively. The risk management department also collaborates with treasury department in managing liquidity risk.

In line with the risk management infrastructures is a sound risk management culture within the Group, which stresses on the three principles for risk management, namely the principles of independence, equal partnership and independence between business units and risk control units, and prudence. Such a culture echoes with the underlying mechanism, where the risk management mechanism is put in place to embody the culture while the culture in turn ensures effective implementation of the framework.

The risk management structure of the Group is shown in the following chart:



Liquidity Risk

Liquidity risk mainly refers to the risk of liquid capital deficiency when the Group performs its obligations in relation to its financial liabilities and loss of the financial assets at deep discount when market stress event happens.

Liquidity risk management constitutes an essential part of the Group's risk management function. The primary goal of our liquidity risk management framework is to ensure that the Group maintains adequate liquid capital and funding to support its business commitments and to comply with the applicable regulatory capital requirements at all times. The core components of the framework are the liquidity resources, liquidity monitor indicators and contingency funding plans. The Group maintains sufficient liquidity resources which consist of highly liquid assets, substantial long term and standby banking facilities to meet any contingent funding needs in its operations. Treasury department closely monitors the Group's cash flow as well as the liquidity profile of its assets and liabilities by using various monitoring tools and conducts stress tests to quantify the Group liquidity level under multiple idiosyncratic and systematic scenarios. The Group has also established contingency funding plans with the proper escalation process and action items in the event of liquidity shortfalls. Even in periods of extreme market volatility, senior managements believe that the Group's working capital has been adequate to meet its financial obligations.

Credit Risk

Credit risk refers to the risk of economic losses stemming from failure of any counterparty or any other issuer of whom the Group holds the securities or other instruments to meet their contractual obligations. The Group's credit risk primarily comes from clients' securities financing, trading in over-the-counter derivatives and underwriting commitments.

The Group's credit risk management function is independent of business units and directly reports to the Group's Chief Risk Officer. The credit risk management team is responsible for credit evaluation, monitoring and rating migration. Besides, the bonds held by the Group for investment transactions in the secondary market are also exposed to credit risks. Credit risk evaluations are therefore conducted for concentration risk of the bonds held by the Group for investment transactions.

The Group has established a "consolidated credit management mechanism" with which collateral and concentration management serves as a core framework for credit risk management. The Group's credit risk management measures are as follows:

– Establish a group-wide credit risk management framework and manage the margin limits for each tier of clients based on the Group's risk appetite;

– Evaluate creditworthiness of counterparties according to the Group's internal credit scoring model and perform credit risk exposure and collateral concentration monitoring and reporting;

– Carry out effective collateral management including refining the scope of approved securities collateral and valuation discounts from time to time;

– Review and maintain access to underwriting commitment;

– Find ways to transfer credit risks including collateral and hedge management; and

– Manage and intervene credit loss events actively to maximise recoverable amounts.

The Group has also set up an overall risk management system for securities margin business including client creditworthiness evaluation, margin ratio evaluation and management, margin call and forced-liquidation control against single client or single issuer and concentration limit management in strict compliance with the requirements of Guidelines for Securities Margin Financing Activities issued by the Securities and Futures Commission.

The Group also fulfills the underwriting commitments for its corporate finance business. Such commitments mainly cover general corporate purpose or other purposes relating to acquisition, listing or privatisation. The Group, as an underwriting commitment arranger, will sell a majority of its underwriting commitments. The underwriting activities were managed by the Group with the aforementioned internal credit risk rating and risk mitigation measures whereas the business units and the risk management department keep monitoring over existing commitments as well as the status, collaterals and financial positions of borrowers. Monitoring findings are reported to the Group's management on a monthly basis.

Market Risk

Market risk refers to the risk stemming from fluctuations of the fair value of financial instruments or future cash flows due to financial market or economic changes. The financial instruments held by the Group represent positions arising from investments or dealings for clients or the Group itself. Those financial instruments are stated at fair value with fluctuating daily average value, and the profits and losses of which are stated in the consolidated statement of profit or loss.

The Group's risk management department assesses, monitors and manages market risks with a holistic approach. Market risk management primarily covers risk measurement, limit setting and risk monitoring. The Group measures market risks with an array of methodologies mainly including VaR analysis, stress tests, sensitivity analysis and stop-loss.

Market risk mainly includes:

– Equity risk: risks derived from changes of prices and volatility of single stocks, a basket of stocks and stock indexes;

– Exchange risk: risk derived from changes of spot prices and forward prices as well as the exchange rate volatility; and

– Interest and credit spread risks derived from changes of level, gradient and curvature of yield curves, interest fluctuations and changes of credit spread.

Operational risks

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. As defined by the Basel Committee on Banking Supervision, operational risk ranges from internal fraud, external fraud, employment practices and workplace safety, clients, products and business practice, damages to physical assets, business disruption and system failures, execution, delivery and process management. The Group manages relevant operational risks based on its well-established risk appetite.

The Group has established a set of operational risk management framework to determine operational risk management model and the roles and responsibilities taken by each stakeholder for operational risk management. To strike a balance between risks and returns, the Group has adopted the following measures to identify, manage, assess and mitigate operational risks:

– Foster a robust risk culture and train up its employees in terms of awareness, attitude and behavior toward the Group's risk management;

– Assess inherent risks and residual risks through annual risk evaluation to ensure adequate additional remedies are put in place to deal with identified deficiencies;

– Monitor and review operational risk events resulting from different businesses with proper action plans in place;

– Assess risk exposures with the use of quantitative indicators and qualitative measures based on existing risk appetite; and

– Understand and assess operational risks arising from new businesses and offerings.

The risk management committee plays a supervisory role to manage the operational risk, gives advice on risk materiality and gives guidance for proper actions. Each meeting of the risk management committee is chaired by a member of executive committee and is attended by senior management from various departments including the risk management, compliance and global technology and operations. On top of this, the internal audit department performs independent evaluations on the operational risk management framework to ensure relevant operational risks management policies and procedures are implemented effectively.

Legal and Compliance Risk

Legal risk refers to the risks of suffering from economical or reputational losses arising from breach of contract, litigation or legal dispute. Compliance risk refers to exposure to legal and regulatory penalties, financial forfeiture and adverse reputational impact when the Group fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

The Group upholds a robust legal and compliance risk management framework and pays constant attention to the regulatory environment on current business, assessing severity level and causes of identified legal and compliance risk and formulating on-going comprehensive plan to carry out remedies and refinements for mitigation and remediation.

To mitigate the relevant risks, the Group established the legal department and the compliance department. The compliance department is responsible for compliance monitoring and gives compliance advice on business plans and activities, while the legal department provides legal advices, actively handles legal documents reviewing and vetting and also manages legal disputes.

All-round Group policies, procedures and standardised templates are implemented and updated timely with business development and regulatory rules changes. Through sound management system and procedures, the legal and compliance teams monitor and prevent compliance risks in relation to anti-money laundering, conflict of interests, information barriers, market misconducts etc. The Group's compliance culture and awareness are elevated by setting compliance responsibilities in each business line and subsidiary, conducting legal and compliance trainings to staff from time to time and providing internal guidelines on regulatory changes.

Information Technology Risk

Information technology risk refers to the risk of loss related to information technology due to inadequate information technology and processing in terms of manageability, integrity, controllability, and continuity.

The Group has established an information technology risk management framework which covers risk governance, communication, monitoring, assessment, mitigation and acceptance and is supported by a set of IT policies, standards and controls.

Reputational Risk

Reputational risk is the risk that the Group's reputation is damaged by reputation events, as reflected from negative impacts, as a result of business practices, conduct or financial condition of the Group or its representatives, potentially causing irreparable damage to the Group's brand value and reputation.

The Group has adopted the prudent and proactive approach to manage reputational risk. The Group has strong corporate governance emphasising integrity and ethical conduct in every business decision and activity; and takes an integrated approach to manage risks so as to minimise reputational risk.

Internal Control Framework

The Group has established a robust internal control framework to promote effective and efficient governance of its business activities and operations, ensuring reliability of its financial reporting and compliance with applicable laws and regulations.

An effective internal control system enables the Group to achieve its objectives sustainably, adapt to the rapidly changing business, operational and regulatory environment, and proactively prevent and control risks according to the Group's risk appetite as well as mitigating them to an acceptable level.

The Three Lines of Defense Model

The Group's internal control framework is embodied by the three lines of defense model, in which all business units and supporting functions are the first line of defense, that own and manage their respective business and operational risks. The Group's risk management and compliance functions together constitute the second line of defense for ongoing risk control and compliance oversight of the Group. The Group's Internal Audit function serves as the third line of defense to provide independent review and assurance of the Group's internal control effectiveness.

Internal Audit

The Group's Internal Audit constitutes the third line of defense in the internal control framework, which plays a critical role in evaluating and improving the adequacy and effectiveness of the Group's internal control systems, risk management and governance processes. Through conducting analysis and independent assessments and monitoring the implementation of corrective action plans, the Group's Internal Audit provides independent assurance as to the adequacy and effectiveness of the Group's internal controls. The Group Internal Audit directly reports to the Audit Committee.

By adopting a risk-based approach, the Group Internal Audit develops its annual audit plan which covers the Group's major business activities, operations and processes, as well as its IT environment across all geographical locations. The Group Internal Audit submits its annual audit plan which is reviewed and approved by the Audit Committee. Based on the approved audit plan, the Group Internal Audit schedules and carries out internal audit activities of different business units, functions and operations with its resources focused on areas of higher risk. The Head of Group Internal Audit directly reports audit results and matters to the Audit Committee and senior management.

In addition to the internal audit activities, Group-wide internal control self-assessment exercises are conducted annually across all business, functions and locations of the Group, aiming to enhance the long-term mechanism for evaluation, feedback, and continuous improvement of its internal control systems. Moreover, ad-hoc reviews shall be conducted according to the Group's development strategy and specific areas of concern, with continuous efforts to improve risk management, internal control and corporate governance standards using a holistic approach.

Review of the Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for overseeing the risk management and internal control systems of the Group and reviewing its effectiveness and adequacy on an ongoing basis and reviewing their effectiveness at least annually. 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 Group has established procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

During the year ended 31 December 2022, the Board reviewed the effectiveness of the risk management and internal control systems of the Group through meetings of the Risk Committee and the Audit Committee, covering all material controls, including financial, operational and compliance controls. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Group's accounting, internal audit and financial reporting functions. The Board is of the view that the risk management and internal control systems of the Group are effective and adequate.

Anti-Bribery Policy and Whistleblowing Policy

The Company has adopted an anti-bribery policy to govern solicitation, offering, acceptance of and the handling of advantages, gifts and entertainment by employees when performing their duties and a whistleblowing policy to provide guidance to employees and external stakeholders to report concerns about any suspected or actual improprieties relating to the Group.

External Auditor

During the year, the Group has engaged its external auditor, Deloitte Touche Tohmatsu, to provide the following audit, taxation and related services and their respective fees are shown below:

Type of Services	Fee charged For the year ended 31 December **2022** **HK$'000**	 2021 HK$'000
Statutory audit service fee	**10,698**	5,730
Non-statutory audit service fee	**1,040**	2,154

Responsibilities of Directors for the Financial Statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the certified public accountants included in the audit report of this annual report. Each responsibility statement shall be understood separately.

All Directors acknowledge and confirm that they have the responsibilities to compile the financial statements which can truly reflect the business results of the Company in each financial year. To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of the Company.

Communication with Shareholders

The Board and senior management maintain a continuing dialogue with the shareholders and other stakeholders through various channels including the Company's annual general meeting. The Chairman, other Board members and the external auditor attend the annual general meeting to answer questions raised by the shareholders on the performance of the Group. The Company may also hold analyst conferences following the release of results announcements at which the executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the shareholders to have timely and updated information of the Group. Shareholders can refer to the "Shareholders' Communication Policy" posted on the Company's website for more details.

The Company maintains promptly communications with media via interviews and article contribution covering diverse topics including but not limited to financial results, business development, corporate news, in order to keep shareholders and other stakeholders informed of the Company's latest status.

Shareholders' Communication Policy

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and is of the view that it remained effective in enhancing timely, transparent, accurate and open communication between the Company and the shareholders. The Shareholders' Communication Policy is set out as follows:

Purpose

The Company strives to provide its individual and institutional shareholders (collectively, the "Shareholders") and other stakeholders (including its potential investors) with balanced and meaningful information about the Group for the purpose of enabling Shareholders to exercise their rights as shareholders effectively, encouraging Shareholders to engage actively with the Company and promoting effective communication with Shareholders and other stakeholders to allow the Company to cultivate a constructive relationship with them and to appreciate their needs and concerns.

The Board shall maintain an on-going dialogue with Shareholders and other stakeholders, and the Chairman of the Board will lead the Board to review this policy annually to ensure its effectiveness and issue a statement of such fact in the annual report.

Communication with Shareholders

A. Corporate Communication

A.1 "Corporate communication" has the meaning ascribed thereto in the Listing Rules, which includes but are not limited to (a) the directors' report and annual accounts together with a copy of the auditors' report, (b) the interim report, (c) a notice of meeting, (d) a listing document, (e) a circular and (f) a proxy form ("Corporate Communications").

A.2 Corporate Communications are available on both the websites of the Company and the Stock Exchange and should be made available to the Shareholders in a timely manner. They should be in plain language and in both English and Chinese versions to facilitate the Shareholders' understanding.

A.3 Shareholders can elect to receive the Corporate Communications in printed form or through electronic means and in the language(s) they desire (either English or Chinese or both).

A.4 Shareholders who have elected to receive Corporate Communications by electronic means have the right to obtain printed copies of Corporate Communications free of charge upon request in writing or by email to the Company or from the Company's branch share registrar and transfer office in Hong Kong.

B. Corporate Website

B.1 Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (http://www.htisec.com) under the "Investor Relations" section.

B.2 All press releases and other corporate information about the Company's business developments, awards and achievements, corporate governance, and relations with Shareholders and other stakeholders will also be available on the Company's website.

B.3. Information on the Company's website will be updated on a regular basis.

C. Shareholders' Meetings

C.1 The annual general meeting and other general meetings of the Company are the primary forum for direct communication between the Company and Shareholders.

C.2 Shareholders are encouraged to participate in general meetings or to appoint proxies to attend, speak and vote at the general meetings for and on their behalf if they are unable to attend.

C.3 Notice of meetings, related circulars and forms of proxy shall be sent to Shareholders in accordance with the requirements under the New Bye-laws and the Listing Rules. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s).

C.4 Where appropriate or required, either the Chairman or Deputy Chairman of the Board and other Board members, the chairman of Board Committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any).

C.5 The chairman of the independent board committees (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

C.6 The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

D. Shareholders' Enquiries

D.1 Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, via its hotline at (852) 2980 1333 or email address at is-enquiries@hk.tricorglobal.com, or going in person to Tricor Investor Services Public Office at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

D.2 The Company will not normally deal with verbal or anonymous enquiries about corporate governance or other matters to be put to the Board or the Company. Shareholders may send written enquiries to the Company, for the attention of the Company Secretary, by mail to 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong or by email to ir@htisec.com.

E. Other Investor Relations Communication Platforms

E.1 Press conferences may be held on results announcement to explain the Company's activities, performance and future plans and to enable better understanding of the Group by the public.

E.2 The Company may arrange media luncheons, invite media to attend corporate events, maintain regular communication with media via interviews and article contribution covering diverse topics and use its corporate website to disseminate its press releases, financial and other information relating to the Group and its business to the public in order to foster effective communication.

Shareholders' Privacy

The Company recognises the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by the Stock Exchange, the Securities and Futures Commission, or applicable laws and regulations to do so.

Shareholders' Rights

Shareholders' rights are set out in a number of sources, such as the New Bye-laws, the Companies Act 1981 of Bermuda (the "Act") and the Listing Rules. With reference to the above sources, the Company sets out below details of shareholders' rights in the following aspects:

1. **The way in which shareholders can convene a special general meeting**

   Pursuant to bye-law 58 of the New Bye-laws and Section 74 of the Act, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

   The requisition must be signed by the requisitionists and deposited at the registered office of the Company (the "Registered Office") for the attention of the Company Secretary.

   The requisition will then be verified with the Company's branch share registrar and transfer office in Hong Kong and upon its confirmation that the requisition is proper and in order, the Company Secretary will forward the requisition to the Board and the Board shall convene and hold such a general meeting within 2 months after the deposit of such requisition. Moreover, if within 21 days of such deposit, the Board fails to proceed to convene such a general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

2. **The procedures for sending enquiries to the Board**

   Shareholders and other stakeholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Registered Office and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

3. **The procedures for making proposals at shareholders' meetings**

   To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Registered Office. The request will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to bye-law 59(1) of the New Bye-laws:

(a) for an annual general meeting, it shall be called by notice of not less than 21 clear days and not less than 20 clear business days; and

(b) for all other general meetings (including a special general meeting), they must be called by notice of not less than 14 clear days and not less than 10 clear business days.

Constitutional Documents

There is no significant change in the constitutional documents of the Company during the year.

Board of Directors

Executive Directors

LIN Yong *JP*, aged 53, was appointed as an Executive Director of the Company on 23 December 2009. He has been a Deputy Chairman of the Board of Directors of the Company as well as the Chief Executive Officer of the Group since 29 April 2011. He is also the Chairman of the Executive Committee as well as a member of the Strategic Development Committee of the Company. In addition, Mr. LIN is a board member of Haitong Bank, S.A. ("Haitong Bank") and Haitong Banco de Investimento do Brasil S.A., wholly-owned subsidiaries of Haitong International Holdings Limited ("HTIH"). He also acts as the chairman of Haitong Bank since 30 October 2017. Mr. LIN holds a Doctorate Degree in Economics from Xi'an Jiaotong University and has over 20 years of experience in the investment banking industry. Mr. LIN joined Haitong Securities Co., Ltd. ("HSCL", whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 6837) and on the Shanghai Stock Exchange (the "SSE") (stock code: 600837)) in 1996 and was a general manager of the Investment Banking Department of HSCL from 2001 to 2007. He has been appointed as a director and general manager of HTIH since 2007. He is responsible for the overall operation of HTIH and the business development of the Group. In 2006, Mr. LIN was named "2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai" (2006年上海首屆十大金融傑出青年) and was honoured as the "2014 Shanghai Financial Industry Leader" (2014滬上金融行業領袖) in 2014. He acts as the chairman of Chinese Securities Association of Hong Kong from February 2019 to March 2023, and was appointed as the permanent honorary president of Chinese Securities Association of Hong Kong with effect from 24 March 2023. He was appointed as a member of the Mainland Opportunities Committee of the Hong Kong Financial Services Development Council since 1 April 2019. He was appointed as a non-executive director of Financial Reporting Council (now known as Accounting and Financial Reporting Council) from 1 October 2019 to 30 September 2021. He has also been appointed as a member of the board of directors of Financial Services Development Council since 2 January 2020, a director of the Hong Kong Chinese Enterprises Association since 16 September 2020, a committee member of The Chinese General Chamber of Commerce since November 2020, a founding member of the Hong Kong Exchanges and Clearing Limited's Mainland Markets Panel since August 2021, a member of the Hong Kong Trade Development Council for a term commencing from January 2022 to December 2023 and the deputy chairman of Belt & Road General Chamber of Commerce since July 2022. Mr. LIN was also appointed as a member of the Board of Governors of Hong Kong Chu Hai College of Higher Education with effect from 6 June 2022. Mr. LIN was appointed as a Justice of the Peace (JP) by the Government of the HKSAR in October 2020. On 17 January 2023, Mr. LIN has been elected as a member of the 14th National Committee of the Chinese People's Political Consultative Conference (CPPCC).

LI Jianguo, aged 60, was appointed as an Executive Director of the Company on 13 January 2010 and a Deputy Chairman of the Board of Directors of the Company on 10 March 2010. He is also a member of the Strategic Development Committee of the Company. Mr. LI holds a Doctorate Degree in Economics from Xi'an Jiaotong University. He has 31 years of experience in the securities industry. Mr. LI was a general manager of Henan Securities Co., Ltd. from 1992 to 1998. He joined HSCL in 1998 and served as the deputy general manager of HSCL from 1998 to 1999. Mr. LI was the vice president and the general manager of Fullgoal Fund Management Co., Ltd. from 1999 to 2008. Mr. LI has been the assistant to the general manager of HSCL from 2008 to April 2023, the chairman of the board of directors of Hai Tong (HK) Financial Holdings Limited (now known as HTIH) from August 2008 to August 2010, and the vice chairman of the board of directors of HTIH from August 2010 to April 2023.

Chairman's Statement
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Board of Directors
Report of the Board of Directors

POON Mo Yiu, aged 58, joined the Group in August 2008. He was appointed as an Executive Director of the Company on 1 July 2009 and was the Chief Operating Officer of the Group as well as a member of the Executive Committee of the Company prior to his re-designation as a Non-executive Director of the Company on 16 February 2016. Mr. POON was re-designated as an Executive Director of the Company and was appointed as a member of the Executive Committee of the Company on 8 February 2018. He was also appointed as the Chief Operating Officer of the Group on 15 August 2018, and has been re-designated from Chief Operating Officer to Chief Financial Officer of the Group with effect from 1 May 2020. Mr. POON is also a director of various subsidiaries of the Company. Mr. POON holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. Mr. POON has extensive experience in financial management, management of information systems, accounting projects as well as various aspects of mergers and acquisitions. Prior to joining the Group, Mr. POON worked for Sun Hung Kai & Co. Limited as the Group Chief Operating Officer and the Group Chief Financial Officer. He was also previously the Vice President in Finance of JPMorgan Chase Bank and the Group Financial Controller of Jardine Fleming Group in Asia before its merger with JPMorgan Chase Bank.

SUN Jianfeng, aged 46, joined the Group in 2010 and was appointed as an Executive Director of the Company with effect from 1 June 2017. He is responsible for development and management of private wealth management business. He is also a member of the Executive Committee of the Company. Mr. SUN is also a director of certain subsidiaries of the Company as well as a responsible officer of Haitong International Capital Limited under the Securities and Futures Ordinance. Mr. SUN holds a Master of Applied Economics from Xi'an Jiaotong University. He possesses extensive experience in the corporate finance industry. He participated and completed a number of IPOs in Hong Kong and China.

SUN Tong, aged 46, joined the Group in May 2010 and was appointed as an Executive Director of the Company with effect from 27 March 2018. He is responsible for development and management of asset management business. He is also a member of Executive Committee of the Company and a director of certain subsidiaries of the Company, and serves as a responsible officer of Haitong International Investment Managers Limited and Haitong International Asset Management (HK) Limited under the Securities and Futures Ordinance. Mr. SUN graduated with a Bachelor Degree in Computer Science from Nanjing Normal University and obtained a MBA Degree from the Chinese University of Hong Kong. Mr. SUN joined HSCL in 2000 and he is now a deputy general manager of HTIH. Mr. SUN was appointed as a director of Chinese Asset Management Association of Hong Kong on 20 March 2020.

Non-executive Directors

LI Jun, aged 53, was appointed as a Non-executive Director of the Company on 19 October 2021. He has been the Chairman of the Board, and the chairman of the Nomination Committee and the Strategic Development Committee as well as a member of the Remuneration Committee of the Company. Mr. LI has master's degrees in business administration and public administration and management. He worked at the Shanghai Branch of China Pacific Insurance Co., Ltd.(中國太平洋保險公司)from July 1992 to February 2001, successively serving as a staff member, a deputy section chief and the section chief of the import division of the overseas business department, the section chief of the export division of the transportation insurance department, and the section chief of business division I of the import and export department. He worked at China Pacific Property Insurance Co., Ltd.(中國太平洋財產保險股份有限公司)from March 2001 to January 2003, and successively served as the section chief of the office secretary division, a deputy manager of the Pudong sub-branch (responsible for daily operation), a deputy secretary and the secretary of the CPC Party branch. From January 2003 to May 2014, he worked at Shanghai Financial Services Office(上海市金融服務辦公室), and successively served as an officer and a principal staff member of the institution division, a deputy director of the institution division II, the director of the financial institution division II, and the director of the local financial management division. From December 2013 to May 2014, he served as a deputy secretary-general of the Management Committee of China (Shanghai) Free Trade Zone(中國(上海)自由貿易試驗區管委會)(temporary position). From May 2014 to September 2014, he served as a deputy secretary-general of the Management Committee of China (Shanghai) Free Trade Zone. From September 2014 to November 2018, he served as a deputy director of the Shanghai Financial Services Office. From November 2018 to August 2021, he served as a deputy director of the Shanghai Municipal Financial Regulatory Bureau(上海市地方金融監督管理局)and a deputy director of the Shanghai Financial Affairs Bureau(上海市金融工作局). Mr. LI has served as the member representative of council, the chairman of the Members' Self-Discipline and Management Committee(理事會會員自律管理委員會)and a member representative of ChiNext Market Stock Issuance Standardization Committee(創業板股票發行規範委員會)of Shenzhen Stock Exchange since November 2021. Mr. LI served as the chairman of the supervisory committee of the Listed Companies Association of Shanghai(上海上市公司協會)and the chairman of international cooperation committee of the Securities Association of China(中國證券業協會國際合作委員會)since January 2022. Mr. LI has served as the deputy secretary of CPC Committee of HSCL since August 2021. He served as an executive director and the chairman of the compliance and risk control committee of the board, and the general manager of HSCL since September and October 2021 respectively, and he served as the chairman of the board of directors of HTIH since October 2021.

CHENG Chi Ming Brian, aged 40, joined the Group in June 2009 and was appointed as an Executive Director of the Company on 1 July 2009. He was re-designated as a Non-executive Director of the Company on 13 January 2010. Mr. CHENG is also a member of the Strategic Development Committee of the Company. Mr. CHENG holds a Bachelor of Science degree from Babson College in Massachusetts, U.S.A. Mr. CHENG is currently an executive director of NWS Holdings Limited (stock code: 659) and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of NWS Holdings Limited and its subsidiaries. He is also the chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited (stock code: 923), a non-executive director of Wai Kee Holdings Limited (stock code: 610) and a non-executive director of New World Development Company Limited (stock code: 17). The shares of all these companies are listed on the Stock Exchange. In addition, Mr. CHENG is also the chairman of Goshawk Aviation Limited, and a director of PBA International Pte. Ltd. Mr. CHENG is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. CHENG has previously worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets.

ZHANG Xinjun, aged 47, was appointed as a Non-executive Director of the Company on 27 March 2018 and is a member of Audit Committee and the Strategic Development Committee of the Company. Mr. ZHANG holds a postgraduate Master degree in Management from the Department of Accounting of Nankai University. He is a Senior Accountant in the People's Republic of China and has extensive experience in financial accounting, finance management and merger and acquisition. Mr. ZHANG joined the Company in March 2010 and was appointed as the Chief Financial Officer of the Company and was also a member of the Executive Committee of the Company. Prior to joining the Company, Mr. ZHANG worked at the Planning and Finance Department of HSCL and has been the Chief Financial Officer of HTIH since March 2009. Mr. ZHANG has been appointed as the Chief Financial Officer and a member of the assets and liabilities allocation committee of HSCL and ceased to act as the Chief Financial Officer of the Company with effect from 27 March 2018. Mr. ZHANG has been appointed as a non-executive director of Haitong Bank since January 2018, and a director of Haitong Investment Ireland P.L.C since February 2020. All these companies are wholly-owned subsidiaries of HTIH. He has been appointed as a director of Fullgoal Fund Management Co., Ltd, an affiliate of HSCL, since February 2019.

Independent Non-executive Directors

WAN Kam To *MH*, aged 70, was appointed as an Independent Non-executive Director of the Company on 19 June 2018 and is the chairman of the Audit Committee as well as a member of the Risk Committee of the Company. Mr. WAN graduated from the accountancy department of Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in 1975. He was a partner of PricewaterhouseCoopers where he worked for over 30 years and accumulated extensive experience in auditing, finance advisory and management. Mr. WAN is currently a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and has been appointed as the non-executive director of the Accounting and Financial Reporting Council with effect from 1 October 2019. Mr. WAN is also currently an independent non-executive director of various listed companies, namely A-Living Smart City Services Co., Ltd (stock code: 3319), China Resources Land Limited (stock code: 1109), Fairwood Holdings Limited (stock code: 52) and KFM Kingdom Holdings Limited (stock code: 3816). The shares of all these companies are listed on the Stock Exchange. He was previously an independent director of China World Trade Center Co., Ltd. (whose shares are listed on the SSE, stock code: 600007) from November 2016 to November 2022. Mr. WAN was also previously an independent non-executive director of Target Insurance (Holdings) Limited (whose shares are listed on the Stock Exchange, stock code: 6161) from November 2014 to August 2021. Mr. WAN was awarded the Medal of Honour by the Hong Kong SAR Government and conferred the degree of Doctor of Social Sciences by the Hong Kong Metropolitan University in 2022.

LIU Swee Long Michael, aged 62, was appointed as an Independent Non-executive Director of the Company on 28 May 2021 and is the chairman of the Remuneration Committee, a member of the Nomination Committee and the Risk Committee of the Company. Mr. LIU graduated from the London School of Economics and Political Science, University of London with a LLB Honour Degree in 1983. He qualified as a solicitor with Clifford Chance in London in 1986 and worked in the legal profession for over 30 years with a focus on mergers and acquisitions and capital markets. Mr. LIU retired in 2017. Previously, Mr. LIU was a partner with Latham & Watkins LLP for 6 years from 2009 during which he served as a Greater China practice co-chairman and the managing partner of Hong Kong office. From 1994 to 2008, Mr. LIU was a partner of Allen & Overy LLP during which he served as Asian corporate group head and was appointed as a member of global board of that firm. In his legal professional career from the 1980's, Mr. LIU advised on a number of high-profile projects including the establishment of the Central Clearing and Settlement System (CCASS), advised the Hong Kong SAR Government on the merger of the stock and future exchanges and the related clearing houses under the umbrella of The Hong Kong Exchanges and Clearing Limited ("HKEx"), the initial public offerings (IPOs) of HKEx, BOC Hong Kong (Holdings) Limited, China Life Insurance Company Limited, Bank of China Limited and CITIC Securities Company Limited. Mr. LIU was previously a government-appointed director of Hong Kong Securities Clearing Company Limited, a member of Takeovers and Mergers Panel, a member of the Securities and Futures Appeals Tribunal, the chairman of Share Registrars' Disciplinary Committee of the Securities and Futures Commission, a member of the Council of the Law Society of Hong Kong and a member of Hong Kong Financial Market Cross-Industry Risk Management Committee.

ZHANG Huaqiao, aged 59, was appointed as an Independent Non-executive Director of the Company on 28 May 2021 and is the chairman of the Risk Committee, a member of the Audit Committee and the Remuneration Committee of the Company. Mr. ZHANG graduated from the Graduate School of the head office of People's Bank of China with a master's degree in economics in 1986 and from the Australian National University with a master's degree in economics in 1991. From 1986 to 1989, he was employed at the head office of the People's Bank of China and from 1999 to 2006, he worked at the Equities Department of UBS AG, Hong Kong Branch at which he first served as the head of China research and later became co-head of China research. He was the chief operating officer and an executive director from 2006 to 2008 of Shenzhen Investment Limited (stock code: 604). The shares of this company are listed on the Stock Exchange. From 2008 to 2011, he was deputy head of China Investment Banking at UBS Securities Asia Limited. He is currently an advisor at NumaEx. Mr. ZHANG is also currently an independent non-executive director of various listed companies, namely Logan Group Company Limited (stock code: 3380), Luye Pharma Group Limited (stock code: 2186), Fosun International Limited (stock code: 656), Radiance Holdings (Group) Company Limited (stock code: 9993) and Zhong An Group Limited (stock code: 672). Mr. ZHANG previously served as an independent non-executive director of China Huirong Financial Holdings Limited (stock code: 1290) from 6 October 2013 to 28 May 2021. The shares of this company are listed on the Stock Exchange.

LEE Man Yuen Margaret, aged 69, was appointed as an Independent Non-executive Director of the Company on 25 August 2021 and is a member of the Nomination Committee of the Company. Ms. LEE holds a Bachelor Degree of Commerce from University of Calgary. She has over 30 years of experience in banking industry. From 1987 to 2015, Ms. LEE worked at Standard Chartered Bank (Hong Kong) Limited, mainly responsible for corporate banking business. From 2016 to 2022, Ms. LEE was an independent non-executive director of Scotiabank (Hong Kong) Limited. Ms. LEE has been appointed as an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited since 11 April 2023. Ms. LEE is an executive committee member of the Belt and Road Youth Foundation Limited, honorary adviser of the Hong Kong Family Planning Association and committee member of project management committee for Project Aspire, The Education University of Hong Kong.

Report of the Board of Directors

The board of directors of the Company (the "Board") is pleased to present its report and the audited financial statements of the Company and the Group for the year ended 31 December 2022.

Principal Activities

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in wealth management, corporate finance, asset management, global markets and investment. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2022.

Business Review

The business review of the Company for the year ended 31 December 2022 is set out in the sections headed, "Chairman's Statement", "CEO's Review", "Financial Review" and "Corporate Governance Report" on pages 8 to 11, pages 12 to 16, pages 17 to 44 and pages 45 to 74 respectively of this Annual Report and the standalone Environmental, Social and Governance Report 2022.

Results and Dividends

The Group's loss for the year ended 31 December 2022 and the state of affairs of the Company and the Group on date are set out in the financial statements on pages 113 to 277.

The Board did not recommend the payment of a second interim dividend for the year ended 31 December 2022 (2021: Nil).

Bonus Issue of Shares

For the year ended 31 December 2022, the Board recommended a bonus issue of 603,778,508 shares on the basis of one bonus share for every ten existing shares held by qualifying shareholders whose names were on the register of members of the Company on 14 June 2022 (the "Bonus Issue"). The Bonus Issue was completed on 23 June 2022. For details, please refer to the circular of the Company dated 27 April 2022 and the announcements of the Company dated 28 March 2022 and 23 June 2022.

Rights Issue

On 28 March 2023, the Company announced a proposed rights issue (the "Rights Issue") on the basis of three (3) rights shares for every ten (10) existing shares held by the qualifying shareholders on the record date (i.e. 25 May 2023) (the "Record Date"). The Company proposed to raise gross proceeds of up to (i) approximately HK$1,295,104,900 before expenses by way of the issue of 1,992,469,077 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK$1,303,662,475 by way of the issue of 2,005,634,577 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding share options), at the subscription price of HK$0.65 per Rights Share. For details, please refer to the announcement of the Company dated 28 March 2023.

Closure of Register of Members for Entitlement to Attend and Vote at Annual General Meeting

The register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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 Monday, 29 May 2023.

Summary of Financial Information

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2022 and the previous 5 financial periods/years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 278 of this Annual Report. This summary does not form part of the audited financial statements.

Charitable Contributions and Other Charitable Expenditure

During the year ended 31 December 2022, the Group's charitable and other charitable expenditure totalled HK$1,074,256.

Reserves

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2022 are set out in note 39 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$9,879,266,000. In addition, the Company's share premium account, in the amount of HK$19,300,568,000, may be distributed in the form of fully paid bonus shares.

Fixed Assets

Details of movements in the fixed assets of the Company and the Group during the year ended 31 December 2022 are set out in note 30 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year ended 31 December 2022, together with the reasons thereof, are set out in note 35 to the financial statements.

Debentures Issued

Details of bank borrowings and debt securities in issue are set out in note 33 to the financial statements.

Equity-Linked Agreements

Other than the share option schemes and convertible bonds of the Company with details as respectively disclosed in this report and note 36 to the financial statements, no equity-linked agreements were entered into by the Company that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares during the year or subsisted at the end of the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the new bye-laws of the Company (the "New Bye-laws") or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022 other than as an agent for clients of the Company or its subsidiaries.

Major Customers and Suppliers

In the year ended 31 December 2022, the revenue attributable to the 5 largest customers of the Group accounted for less than 30% of the Group's commission and fee income, and interest income for the year ended 31 December 2022.

None of the directors of the Company (the "Director(s)") or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers.

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

Directors

The Directors during the year ended 31 December 2022 and up to the date of this report are:

Executive Directors:
LIN Yong
LI Jianguo
POON Mo Yiu
SUN Jianfeng
SUN Tong

Non-Executive Directors:
LI Jun
CHENG Chi Ming Brian
ZHANG Xinjun

Independent Non-Executive Directors:
WAN Kam To
LIU Swee Long Michael
ZHANG Huaqiao
LEE Man Yuen Margaret

Pursuant to bye-laws 87(1) and (2) of the New Bye-laws, Mr. LIN Yong, Mr. LI Jianguo, Mr. POON Mo Yiu and Mr. SUN Tong shall retire from office by rotation at the forthcoming annual general meeting of the Company. Except Mr. LI Jianguo and Mr. POON Mo Yiu who have decided not to offer themselves for re-election and will retire as executive Directors upon conclusion of the forthcoming annual general meeting of the Company, the aforesaid Directors, namely Mr. LIN Yong and Mr. SUN Tong, being eligible, offer themselves for re-election.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within 1 year without payment of compensation, other than statutory compensation.

Directors' Biographical Details

Biographical details of the Directors are set out on pages 75 to 79 of this Annual Report.

Directors' Service Contracts

No Director has a service contract with the Company or any of its subsidiaries which is for a duration that may exceed 3 years or which requires the Company to, in order to terminate such contract, give a notice period of more than 1 year or pay compensation or make other payments equivalent to more than 1 year's emoluments.

Directors' Interests in Transactions, Arrangements or Contracts

No Director had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2022.

Permitted Indemnity Provision

The New Bye-laws provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2022, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

The Company

Name of Directors	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital*
LI Jun	Share options	–	–	–	200,000	200,000	0.00
LIN Yong	Ordinary shares/ share options	10,471,986 (Note 2)	–	–	5,356,809 (Note 1)	15,828,795	0.24
LI Jianguo	Ordinary shares/ share options	2,630,685 (Note 3)	–	–	1,136,134 (Note 1)	3,766,819	0.06
POON Mo Yiu	Ordinary shares/ share options	3,854,172 (Note 4)	–	–	2,382,647 (Note 1)	6,236,819	0.09
SUN Jianfeng	Ordinary shares/ share options	3,292,313 (Note 5)	–	–	3,704,538 (Note 1)	6,996,851	0.11
SUN Tong	Ordinary shares/ share options	2,915,655 (Note 6)	–	–	3,373,782 (Note 1)	6,289,437	0.09
CHENG Chi Ming Brian	Share options	–	–	–	1,081,134 (Note 1)	1,081,134	0.02
ZHANG Xinjun	Ordinary shares/ share options	956,762 (Note 7)	–	–	2,073,278 (Note 1)	3,030,040	0.05
WAN Kam To	Share options	–	–	–	1,026,134 (Note 1)	1,026,134	0.02
LIU Swee Long Michael	Share options	–	–	–	365,000 (Note 1)	365,000	0.01
ZHANG Huaqiao	Share options	–	–	–	365,000 (Note 1)	365,000	0.01
LEE Man Yuen Margaret	Share options	–	–	–	200,000	200,000	0.00

* the total number of issued shares of the Company was 6,641,563,594 as at 31 December 2022.

Notes:

1. On 23 June 2022, the number of outstanding share options and the exercise price were adjusted in the following manner consequent to the issuance of bonus shares on the same day:

Name of Directors	Date of grant of share options	Number of outstanding share options before the issuance of bonus shares	Exercise price per share option before the issuance of bonus shares	Adjusted number of outstanding share options after the issuance of bonus shares	Adjusted exercise price per share option after the issuance of bonus shares
LIN Yong	10 November 2017	805,672	5.002	886,240	4.547
	1 November 2018	1,804,127	2.898	1,984,539	2.635
	31 May 2019	902,064	2.554	992,270	2.322
	29 May 2020	900,000	1.727	990,000	1.570
	21 July 2021	900,000	2.398	990,000	2.180
LI Jianguo	10 November 2017	302,127	5.002	332,339	4.547
	1 November 2018	300,689	2.898	330,757	2.635
	31 May 2019	150,343	2.554	165,377	2.322
	29 May 2020	200,000	1.727	220,000	1.570
	21 July 2021	200,000	2.398	220,000	2.180
POON Mo Yiu	10 November 2017	302,127	5.002	332,339	4.547
	1 November 2018	701,604	2.898	771,764	2.635
	31 May 2019	350,802	2.554	385,883	2.322
	29 May 2020	350,000	1.727	385,000	1.570
	21 July 2021	400,000	2.398	440,000	2.180
SUN Jianfeng	10 November 2017	503,545	5.002	553,899	4.547
	1 November 2018	1,202,751	2.898	1,323,026	2.635
	31 May 2019	601,375	2.554	661,512	2.322
	29 May 2020	600,000	1.727	660,000	1.570
	21 July 2021	600,000	2.398	660,000	2.180
SUN Tong	10 November 2017	503,545	5.002	553,899	4.547
	1 November 2018	1,002,293	2.898	1,102,522	2.635
	31 May 2019	501,146	2.554	551,260	2.322
	29 May 2020	600,000	1.727	660,000	1.570
	21 July 2021	600,000	2.398	660,000	2.180
CHENG Chi Ming Brian	10 November 2017	302,127	5.002	332,339	4.547
	1 November 2018	300,689	2.898	330,757	2.635
	31 May 2019	150,343	2.554	165,377	2.322
	29 May 2020	150,000	1.727	165,000	1.570
	21 July 2021	200,000	2.398	220,000	2.180
ZHANG Xinjun	10 November 2017	503,545	5.002	553,899	4.547
	1 November 2018	1,002,293	2.898	1,102,522	2.635
	31 May 2019	300,688	2.554	330,756	2.322
	29 May 2020	200,000	1.727	220,000	1.570
	21 July 2021	200,000	2.398	220,000	2.180
WAN Kam To	1 November 2018	300,689	2.898	330,757	2.635
	31 May 2019	150,343	2.554	165,377	2.322
	29 May 2020	150,000	1.727	165,000	1.570
	21 July 2021	150,000	2.398	165,000	2.180
LIU Swee Long Michael	21 July 2021	150,000	2.398	165,000	2.180
ZHANG Huaqiao	21 July 2021	150,000	2.398	165,000	2.180

2. Those shares are held by Mr. LIN Yong as beneficial owner, included 718,009 unvested awarded shares granted by the Company pursuant to the share award scheme as at 31 December 2022 and a total of 1,039,040 awarded shares which were vested in tranches on 23 March 2022, 24 March 2022 and 30 September 2022 pursuant to the share award scheme during the year ended 31 December 2022.

3. Those shares are held by Mr. LI Jianguo as beneficial owner.

4. Those shares are held by Mr. POON Mo Yiu as beneficial owner, included 282,717 unvested awarded shares granted by the Company pursuant to the share award scheme as at 31 December 2022 and a total of 385,692 awarded shares which were vested in tranches on 23 March 2022, 24 March 2022 and 30 September 2022 pursuant to the share award scheme during the year ended 31 December 2022.

5. Those shares are held by Mr. SUN Jianfeng as beneficial owner, included 327,593 unvested awarded shares granted by the Company pursuant to the share award scheme as at 31 December 2022 and a total of 460,004 awarded shares which were vested in tranches on 23 March 2022, 24 March 2022 and 30 September 2022 pursuant to the share award scheme during the year ended 31 December 2022.

6. Those shares are held by Mr. SUN Tong as beneficial owner, included 327,593 unvested awarded shares granted by the Company pursuant to the share award scheme as at 31 December 2022 and a total of 435,012 awarded shares which were vested in tranches on 23 March 2022, 24 March 2022 and 30 September 2022 pursuant to the share award scheme during the year ended 31 December 2022.

7. Those shares are held by Mr. ZHANG Xinjun as beneficial owner.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed above, as at 31 December 2022, none of the Directors or their associates had registered any other 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) that was required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the year ended 31 December 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Shared-based Compensation Schemes

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Directors, including independent non-executive Directors, and other employees of the Group.

Share Option Scheme

The shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme") on 8 June 2015 (the "Share Option Scheme Adoption Date"). A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

Purpose of the 2015 Share Option Scheme:

To attract, retain and motivate talented employees to strive towards long term performance targets set by the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an added incentive to work better for the interest of the Group.

Participants of the 2015 Share Option Scheme:

Any Director (whether executive or non-executive and whether independent or not), employee (whether full-time or part-time), of the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.

Total number of shares available for issue under the 2015 Share Option Scheme and percentage of the Company's issued share capital as at the date of this annual report:

The total number of shares which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 212,924,439 shares (the "Share Option Scheme Limit"), representing approximately 10% of the issued shares of the Company as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of the Company. In respect of the period of 12 months from the Share Option Scheme Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Share Option Scheme Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of the Company which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). The Company may from time to time seek approval of its shareholders and the approval of the shareholders of Haitong Securities Co., Ltd. ("HSCL") (so long as the Company is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Share Option Scheme Limit and/or the Annual Limit such that the total number of shares of the Company in respect of which options may be granted by Directors under the 2015 Share Option Scheme (i) in respect of the Share Option Scheme Limit, shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of the Company as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of the Company's shares in issue from time to time.

As at the date of this report, the total number of shares available for issue under the 2015 Share Option Scheme was 166,788,558 shares, which represented approximately 2.51% of the issued share capital of the Company at that day.

Maximum entitlement of each participant under the 2015 Share Option Scheme:

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company at a general meeting.

Subject to the recruitment under the Listing Rules, Share options granted to a Director, chief executive or substantial shareholders of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder of the Company or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the Board and with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the Board) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company, with all connected persons of the Company shall abstain from voting (except where any connected person may vote against the relevant resolution at such general meeting provided that his intention to do so has been stated in the circular to the shareholders of the Company and that the relevant Listing Rules have been complied with).

The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised:
The exercise period of the share options granted is determinable by the Board, and such period shall commence not earlier than 6 months from the date of the grant of the options and expire not later than 5 years after the date of grant of the options.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid:
The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the grantee.

The basis of determining the exercise price:
The exercise price of the share options is determinable by the Board, and shall be at least the highest of (i) a price equal to 110% of the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share.

The remaining life of the 2015 Share Option Scheme:
The 2015 Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which it is conditionally adopted by resolution of the Company at general meetings and will expire on 7 June 2025.

Movements of the share options under the 2015 Share Option Scheme during the year ended 31 December 2022 are listed below:

	Number of share options										Price of Company's shares***	
Name or category of participants	At 1 January 2022	Granted during the year	Adjusted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2022	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	At immediately preceding the grant date of share options HK$ per share	At immediately preceding the exercise date of share options HK$ per share
Directors												
LI Jun	–	200,000	–	–	–	–	200,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
LIN Yong	805,672	–	80,568 (Note 1)	–	–	(886,240) (Note 3)	–	10 November 2017	7 June 2018- 9 November 2022	4.547 (Note 1)	4.58	N/A
	1,804,127	–	180,412 (Note 1)	–	–	–	1,984,539	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	902,064	–	90,206 (Note 1)	–	–	–	992,270	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	900,000	–	90,000 (Note 1)	–	–	–	990,000	29 May 2020	25 December 2020- 28 May 2025	1.570 (Note 1)	1.55	N/A
	900,000	–	90,000 (Note 1)	–	–	–	990,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	400,000	–	–	–	–	400,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
LI Jianguo	302,127	–	30,212 (Note 1)	–	–	(332,339) (Note 3)	–	10 November 2017	7 June 2018- 9 November 2022	4.547 (Note 1)	4.58	N/A
	300,689	–	30,068 (Note 1)	–	–	–	330,757	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	150,343	–	15,034 (Note 1)	–	–	–	165,377	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	200,000	–	20,000 (Note 1)	–	–	–	220,000	29 May 2020	25 December 2020- 28 May 2025	1.570 (Note 1)	1.55	N/A
	200,000	–	20,000 (Note 1)	–	–	–	220,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	200,000	–	–	–	–	200,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
POON Mo Yiu	302,127	–	30,212 (Note 1)	–	–	(332,339) (Note 3)	–	10 November 2017	7 June 2018- 9 November 2022	4.547 (Note 1)	4.58	N/A
	701,604	–	70,160 (Note 1)	–	–	–	771,764	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	350,802	–	35,081 (Note 1)	–	–	–	385,883	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	350,000	–	35,000 (Note 1)	–	–	–	385,000	29 May 2020	25 December 2020- 28 May 2025	1.570 (Note 1)	1.55	N/A
	400,000	–	40,000 (Note 1)	–	–	–	440,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	400,000	–	–	–	–	400,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A

	Number of share options										Price of Company's shares***	
Name or category of participants	At 1 January 2022	Granted during the year	Adjusted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2022	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	At immediately preceding the grant date of share options	At immediately preceding the exercise date of share options
										HK$ per share	HK$ per share	HK$ per share
Directors												
SUN Jianfeng	503,545	–	50,354 (Note 1)	–	–	(553,899) (Note 3)	–	10 November 2017	7 June 2018- 9 November 2022	4.547 (Note 1)	4.58	N/A
	1,202,751	–	120,275 (Note 1)	–	–	–	1,323,026	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	601,375	–	60,137 (Note 1)	–	–	–	661,512	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	600,000	–	60,000 (Note 1)	–	–	–	660,000	29 May 2020	25 December 2020- 28 May 2025	1.570 (Note 1)	1.55	N/A
	600,000	–	60,000 (Note 1)	–	–	–	660,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	400,000	–	–	–	–	400,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
SUN Tong	503,545	–	50,354 (Note 1)	–	–	(553,899) (Note 3)	–	10 November 2017	7 June 2018- 9 November 2022	4.547 (Note 1)	4.58	N/A
	1,002,293	–	100,229 (Note 1)	–	–	–	1,102,522	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	501,146	–	50,114 (Note 1)	–	–	–	551,260	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	600,000	–	60,000 (Note 1)	–	–	–	660,000	29 May 2020	25 December 2020- 28 May 2025	1.570 (Note 1)	1.55	N/A
	600,000	–	60,000 (Note 1)	–	–	–	660,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	400,000	–	–	–	–	400,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
CHENG Chi Ming Brian	302,127	–	30,212 (Note 1)	–	–	(332,339) (Note 3)	–	10 November 2017	7 June 2018- 9 November 2022	4.547 (Note 1)	4.58	N/A
	300,689	–	30,068 (Note 1)	–	–	–	330,757	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	150,343	–	15,034 (Note 1)	–	–	–	165,377	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	150,000	–	15,000 (Note 1)	–	–	–	165,000	29 May 2020	25 December 2020 - 28 May 2025	1.570 (Note 1)	1.55	N/A
	200,000	–	20,000 (Note 1)	–	–	–	220,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	200,000	–	–	–	–	200,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
ZHANG Xinjun	503,545	–	50,354 (Note 1)	–	–	(553,899) (Note 3)	–	10 November 2017	7 June 2018- 9 November 2022	4.547 (Note 1)	4.58	N/A
	1,002,293	–	100,229 (Note 1)	–	–	–	1,102,522	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	300,688	–	30,068 (Note 1)	–	–	–	330,756	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	200,000	–	20,000 (Note 1)	–	–	–	220,000	29 May 2020	25 December 2020- 28 May 2025	1.570 (Note 1)	1.55	N/A
	200,000	–	20,000 (Note 1)	–	–	–	220,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	200,000	–	–	–	–	200,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A

Name or category of participants	Number of share options							Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares***	
	At 1 January 2022	Granted during the year	Adjusted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2022			HK$ per share	At immediately preceding the grant date of share options HK$ per share	At immediately preceding the exercise date of share options HK$ per share
Directors												
WAN Kam To	300,689	–	30,068 (Note 1)	–	–	–	330,757	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	150,343	–	15,034 (Note 1)	–	–	–	165,377	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	150,000	–	15,000 (Note 1)	–	–	–	165,000	29 May 2020	25 December 2020- 28 May 2025	1.570 (Note 1)	1.55	N/A
	150,000	–	15,000 (Note 1)	–	–	–	165,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	200,000	–	–	–	–	200,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
LIU Swee Long Michael	150,000	–	15,000 (Note 1)	–	–	–	165,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	200,000	–	–	–	–	200,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
ZHANG Huaqiao	150,000	–	15,000 (Note 1)	–	–	–	165,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	200,000	–	–	–	–	200,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
LEE Man Yuen Margaret	–	200,000	–	–	–	–	200,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
In aggregate	19,644,927	3,200,000	1,964,483	–	–	(3,544,954)	21,264,456					
Continuous contract employees	3,323,396	–	307,165 (Note 1)	–	–	(3,630,561) (Notes 2 and 3)	–	10 November 2017	7 June 2018- 9 November 2022	4.547 (Note 1)	4.58	N/A
	4,510,316	–	442,015 (Note 1)	–	–	(630,441) (Note 2)	4,321,890	1 November 2018	28 May 2019- 31 October 2023	2.635 (Note 1)	2.56	N/A
	3,232,402	–	315,725 (Note 1)	–	–	(527,208) (Note 2)	3,020,919	31 May 2019	27 December 2019- 30 May 2024	2.322 (Note 1)	2.39	N/A
	4,195,000	–	409,500 (Note 1)	–	–	(650,000) (Note 2)	3,954,500	29 May 2020	25 December 2020- 28 May 2025	1.570 (Note 1)	1.55	N/A
	5,645,000	–	559,500 (Note 1)	–	–	(814,500) (Note 2)	5,390,000	21 July 2021	17 February 2022- 20 July 2026	2.180 (Note 1)	2.16	N/A
	–	7,435,000	–	–	(65,000)	(160,000) (Note 2)	7,210,000	6 September 2022	3 April 2023- 5 September 2027	0.935	0.85	N/A
In aggregate	20,906,114	7,435,000	2,033,905	–	(65,000)	(6,412,710)	23,897,309					
	40,551,041	10,635,000	3,998,388	–	(65,000)	(9,957,664)	45,161,765					

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

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

*** The price of the Company's shares disclosed at immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options. The price of the Company's shares disclosed at immediately preceding the exercise date of the share options is the weighted average of the Stock Exchange closing prices over all the exercises of share options within the disclosure category.

Notes:

1. The exercise price and the number of share options were adjusted with effect from 23 June 2022 consequent to the issuance of bonus shares on the same day.

2. These share options were lapsed during the year ended 31 December 2022 as a result of staff resignation.

3. These share options were lapsed during the year ended 31 December 2022 as a result of expiry of exercise period.

4. Further details on the 2015 Share Option Scheme including, but not limit to, fair value of options at the date of grant and the accounting standard and policy adopted are set out in note 36 to the financial statements.

Share Award Scheme

The shareholders of the Company approved the adoption of a new share award scheme (the "2014 Share Award Scheme") on 19 December 2014 (the "Share Award Scheme Adoption Date"). A summary of the principal terms of the 2014 Share Award Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

Purpose of the 2014 Share Award Scheme:

The purpose of the 2014 Share Award Scheme is to recognize the contributions by certain employees of the Company and to give incentives thereto in order to retain them for the continuing operation and development of the Company, and to attract suitable personnel for further development of the Company.

Participants of the 2014 Share Award Scheme:

Selected participants (including, without limitation, any executive Directors, non-executive Directors or independent non-executive Directors) of any members of the Company.

Total number of shares available for grant under the 2014 Share Award Scheme and percentage of the Company's issued share capital as at the date of this annual report:

The aggregate number of Awarded Shares permitted to be awarded under the 2014 Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the Share Award Scheme Adoption Date (being 217,248,566 shares) (the "Share Award Scheme Limit").

As at the date of this report, the total number of shares available for grant under the 2014 Share Award Scheme was 94,043,421 shares, which represented approximately 1.42% of the issued share capital of the Company at that day.

Maximum entitlement of each participant under the 2014 Share Award Scheme:
The maximum number of Awarded Shares which may be awarded to each of Selected Participant in any 12-month period up to and including the date of award shall not in aggregate over 1% of the issued share capital of the Company as at the Share Award Scheme Adoption Date (being 21,724,856 shares).

The vesting period of the 2014 Share Award Scheme:
The vesting period of the 2014 Share Award Scheme refers to the date, immediately following fulfillment of all service and performance conditions (if any) of a specified period during the Award Period.

The amount payable on application or acceptance of the award and the period within which payments or calls must or may be made or loans for such purposes must be repaid:
The offer of a grant of awarded shares may be accepted by the designated acceptance date by the grantee at no cost.

The basis of determining the purchase price:
After receipt of the amount for purchasing shares, the Trustee shall, within a reasonable period of time during which the trading of the Shares has not been suspended on the Business Days (or such longer period as the Trustee and the Company may agree from time to time having regard to the circumstances of the purchase concerned), apply the same towards the purchase of Awarded Shares in the market through a broker at the prevailing market price on the Stock Exchange at such time(s) as it shall decide at its discretion which shall take into account any written recommendation of the Administration Committee, if any, as to the pricing of the purchase. (Note: Administration Committee is a sub-committee of the Board comprising all executive directors of the Company, which has been delegated with the power to handle the administrative matters of the Share Award Scheme.)

The remaining life of the 2014 Share Award Scheme:
The 2014 Share Award Scheme shall be valid and effective for a period of 10 years commencing from the date on which it is conditionally adopted by resolution of the Company at general meetings and will expire on 19 December 2024.

Movements of the share award under the 2014 Share Award Scheme during the year ended 31 December 2022 are listed below:

			Number of Awarded Shares							Price of Company's shares*	
Name or category of participants	Date of grant of Awarded Shares	Acceptance date of Awarded Shares	Unvested shares as at 1 January 2022	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested as at 31 December 2022	Vesting date(s)	At immediately preceding the date of grant of the Awarded Shares HK$ per share	At immediately preceding the vesting date of the Awarded Shares HK$ per share
LIN Yong	25 March 2019	4 April 2019	249,919	–	249,919	–	–	–	23 March 2022	3.24	1.409
	25 March 2020	24 April 2020	796,019	–	398,010	–	–	398,009	24 March 2022	1.96	1.40
	31 August 2021	7 September 2021	711,111	–	391,111	–	–	320,000	30 September 2022	2.00	0.63
POON Mo Yiu	25 March 2019	4 April 2019	74,976	–	74,976	–	–	–	23 March 2022	3.24	1.409
	25 March 2020	24 April 2020	313,433	–	156,716	–	–	156,717	24 March 2022	1.96	1.40
	31 August 2021	7 September 2021	280,000	–	154,000	–	–	126,000	30 September 2022	2.00	0.63
SUN Jianfeng	25 March 2019	4 April 2019	99,968	–	99,968	–	–	–	23 March 2022	3.24	1.409
	25 March 2020	24 April 2020	363,184	–	181,592	–	–	181,592	24 March 2022	1.96	1.40
	31 August 2021	7 September 2021	324,445	–	178,444	–	–	146,001	30 September 2022	2.00	0.63
SUN Tong	25 March 2019	4 April 2019	74,976	–	74,976	–	–	–	23 March 2022	3.24	1.409
	25 March 2020	24 April 2020	363,184	–	181,592	–	–	181,592	24 March 2022	1.96	1.40
	31 August 2021	7 September 2021	324,445	–	178,444	–	–	146,001	30 September 2022	2.00	0.63
Five Highest Paid Employees	31 August 2021	7 September 2021	136,992	–	136,992	–	–	–	30 September 2022	2.00	0.63
	8 September 2022	15 September 2022	–	271,416	271,416	–	–	–	30 September 2022	0.85	0.63
Other Participants	25 March 2019	4 April 2019	1,121,015	–	1,121,015	–	–	–	23 March 2022	3.24	1.409
	29 October 2019	4 November 2019	1,635,000	–	1,635,000	–	–	–	2 January 2022	2.32	1.527
	25 March 2020	24 April 2020	5,670,439	–	2,815,313	–	479,106	2,376,020	24 March 2022	1.96	1.40
	31 August 2021	7 September 2021	19,022,850	–	10,467,781	–	1,060,000	7,495,069	30 September 2022	2.00	0.63
	8 September 2022	15 September 2022	–	8,367,465	8,367,465	–	–	–	30 September 2022	0.85	0.63
	8 September 2022	15 September 2022	–	175,316	2,448	–	–	172,868	30 September 2022	0.85	0.63
	8 September 2022	15 September 2022	–	282,114	282,114	–	–	–	30 November 2022	0.85	0.75
	8 September 2022	15 September 2022	–	357,143	178,572	–	–	178,571	31 December 2022	0.85	0.87

* The price of the Company's shares disclosed at immediately preceding the date of grant of the Awarded Shares is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the Awarded Shares. The price of the Company's shares disclosed at immediately preceding the vesting date of the Awarded Shares is the weighted average of the Stock Exchange closing prices over all the vesting of Awarded Shares within the disclosure category.

Notes:

1. Further details on the 2014 Share Award Scheme including, but not limit to, fair value of the Awarded Shares at the date of grant and the accounting standard and policy adopted are set out in note 36 to the financial statements.

2. 2014 Share Award Scheme does not involve issuance of new shares of the Company.

3. The Awarded Shares were granted at nil purchase price.

The number of Share Options and Awarded Shares available for grant under the Share Option Scheme Limit and Share Award Scheme Limit respectively as at 1 January 2022 and 31 December 2022 are as follow:

Scheme	As at 1 January 2022	As at 31 December 2022
Share Option Scheme	170,122,518	165,511,794
Share Award Scheme	102,999,333	94,024,515

During the year, a total of 45,161,765 new shares, representing approximately 0.71% of the weighted average number of issued ordinary shares of the Company that may be issued in respect of Share Options granted of the Company, excluding those lapsed.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2022, the interests and short positions of those persons (other than the Directors) in the shares and underlying shares of the Company as required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or to the best of Directors' knowledge, were as follows:

Name of substantial shareholders	Number of shares held and nature of interests		Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital*
	Direct	Deemed			
Haitong Securities Co., Ltd. ("HSCL")	–	4,510,666,113	–	4,510,666,113	67.92
Haitong International Holdings Limited ("HTIH")	4,510,666,113	–	–	4,510,666,113	67.92

* the total number of issued shares of the Company was 6,641,563,594 as at 31 December 2022.

Note: HSCL held the entire issued share capital of HTIH. By virtue of the provisions of the SFO, HSCL is deemed to be interested in the shares in which HTIH is interested.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors, whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors' Interests in Competing Businesses

Mr. LI Jun (Chairman and non-executive Director of the Company) is an executive director, the general manager and the deputy secretary of CPC Committee of HSCL as well as the chairman of HTIH. Mr. LIN Yong (Deputy Chairman, Chief Executive Officer and executive Director of the Company) is a director and general manager of HTIH, the chairman of Haitong Bank, S.A. ("Haitong Bank") and a board member of Haitong Banco de Investimento do Brasil S.A. Mr. LI Jianguo (Deputy Chairman and executive Director of the Company) is the vice chairman of HTIH and an assistant to the general manager of HSCL. Mr. SUN Tong (executive Director) is the deputy general manager of HTIH. Mr. ZHANG Xinjun (non-executive Director) is the chief financial officer of HTIH, the chief financial officer of HSCL, a board member of Haitong Bank, a director of Haitong Investment Ireland P.L.C, which is a wholly-owned subsidiary of HTIH and a director of Fullgoal Fund Management Co., Ltd, an affiliate of HSCL. HSCL competes or may compete, either directly or indirectly, with the business of the Group.

The Board considers that, having considered the facts that:

(i) the Group is capable of, and does carry on its business independently of, and on an arm's length basis with the competing business of the HSCL Group;

(ii) the Group and the HSCL Group have each augmented its business in a way so as to optimize the synergistic effect between the Group and the HSCL Group with a view to, where that is appropriate, minimizing duplication in terms of allocation of time and resources, and promoting efficiency, effectiveness and quality in the development of their respective businesses;

(iii) the Company has established corporate governance procedures to ensure business opportunities and performance are independently assessed and reviewed from time to time;

(iv) Mr. LIN Yong, Mr. LI Jianguo and Mr. SUN Tong (all are executive Directors), Mr. LI Jun and Mr. ZHANG Xinjun (both are non-executive Directors) (collectively, the "Relevant Directors") are fully aware of their fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; and

(v) the competing business in which the HSCL Group is engaged is primarily focused in the People's Republic of China whereas the Group's business is primarily Hong Kong-based,

the Group's interest is adequately safeguarded.

Since (i) all the major and important corporate actions of the Company are and will be fully deliberated and determined by the Board; and (ii) any Director(s) who is/are or deemed to be interested in any proposed transaction(s) will have his/their interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the New Bye-laws, the Board is of the view that each of the Relevant Directors does not, by himself/herself or in an individual capacity, competes with the Company and/or the business of the Group.

Based on the above, as at 31 December 2022, none of the Directors and their associates was considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Continuing Connected Transactions

On 21 April 2021, the Company has entered into a master agreement ("Master Agreement") with HSCL pursuant to which, among others, the Group agreed to engage in various services, investment and financial transactions with the HSCL Group for a term of three years from 1July 2021 to 30 June 2024. The services covered under the Master Agreement include, among others, brokerage transactions, investment management and advisory services, corporate finance advisory and services, fund investment, financial assistance and securities lending, principal-to-principal transactions and underwriting services ("Transactions").

HSCL is the holding company of HTIH, a controlling shareholder of the Company, and therefore HSCL is a connected person of the Company and the Transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of the Transactions were disclosed by the Company in the announcement of the Company dated 21 April 2021 ("2021 Announcement") and the circular of the Company dated 12 May 2021.

The annual caps in respect of the continuing connected transactions contemplated under the Master Agreement for the financial period from 1 July 2021 to 31 December 2021, the financial year ended 31 December 2022, the financial year ending 31 December 2023 and the financial period from 1 January 2024 to 30 June 2024 and respective actual transaction amount received/paid by the Group for the financial year ended 31 December 2022 are shown below:

Transactions	Annual caps: For the six months ended 31 December 2021 (HK$ million)	For the financial year ended 31 December 2022 (HK$ million)	For the financial year ending 31 December 2023 (HK$ million)	For the six months ending 30 June 2024 (HK$ million)	Actual transaction amount received/ paid by the Group for the financial year ended 31 December 2022 (HK$ million)
(1) Service transactions (Category 1 Transactions)					
(a) Income received and/or to be received from service transactions provided to member(s) of the HSCL Group (including fees and commissions received and/or to be received from the HSCL Group in respect of the underwriting by the Group)	315	665	700	365	7.69
(b) Expenses incurred and/or to be incurred for service transactions provided by member(s) of the HSCL Group (including fees and commissions paid and/or to be paid by the Group in respect of the underwriting by the HSCL Group)	200	330	350	230	18.65
(2) Investment and financial transactions (Category 2 Transactions, but excluding underwriting commitments which are set out in (3) below)					
(a) Sum received and/or to be received from (i) the HSCL Group attributable to financial assistance and securities lending transactions and (ii) sum received and/or to be received from the HSCL Group and/or persons connected with the HSCL Group in respect of fund investment	20,000	36,000	37,800	20,000	681.91
(b) Sum paid and/or to be paid to the HSCL Group attributable to fund investment, financial assistance and securities lending transactions	20,000	36,000	37,800	20,000	570.81
(c) Transaction amount attributable to principal-to-principal transactions between the Group and the HSCL Group	28,500	60,000	63,000	33,000	12,690.47
(3) Underwriting commitments					
(a) Amount of underwriting commitments to be provided by the Group	10,000	12,000	12,500	10,000	736.37
(b) Amount of underwriting commitments to be provided by the HSCL Group	9,500	10,000	10,000	9,500	–

The independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The auditor has confirmed in its letter to the Board that nothing has come to its attention which causes it to believe that:

(i) the Transactions have not been approved by the Board;

(ii) the Transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) the Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) the Transactions have exceeded the annual caps disclosed in the 2021 Announcement in report of each of the Transaction.

A summary of all related party transactions undertaken by the Group during the year ended 31 December 2022 is contained in note 38 to the consolidated financial statements. All the related parties transactions described in this note other than the Transactions, do not fall under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year ended 31 December 2022.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 6 March 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement I") with certain financial institutions (as lenders) in respect of a revolving credit facility in an aggregate amount of HK$12,000,000,000 for a term of up to 36 months.

On 24 February 2023, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with certain financial institutions (as lenders) in respect of a revolving loan facility in an amount up to HK$16,000,000,000 for a term of up to 364 days.

Pursuant to the terms of the Facility Agreement I, if, inter alia, either of the following events of default occurs, all or any part of the facilities may be immediately cancelled and all or any part of the loans together with accrued interest and any other amounts accrued or outstanding under the facilities may become immediately due and payable or payable on demand:

(1) HSCL ceases to be the largest shareholder of the Company; or

(2) HSCL does not or ceases to have management control of the Company which means, as between HSCL and the Company, that (i) a majority of incumbent Directors are nominees of HSCL and (ii) HSCL has control over the management strategies and policies of the Company.

Pursuant to the terms of the Facility Agreement II, if, inter alia, either of the following events of default occurs, all or any part of the facility may be immediately cancelled and all or any part of the loan together with accrued interest and any other amounts accrued or outstanding under the facility may become immediately due and payable or payable on demand:

(1) HSCL is not or ceases to be the single largest shareholder of the Company; or

(2) HSCL does not or ceases to have management control over the Company which means, as between HSCL and the Company, that (i) a majority of incumbent Directors are nominees of HSCL and (ii) HSCL has control over the management strategies and policies of the Company; or

(3) the shares of HSCL ceases to be listed on the Stock Exchange and the Shanghai Stock Exchange.

Announcements regarding the entering into of Facility Agreement I and Facility Agreement II were made on 6 March 2020 and 24 February 2023 respectively.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 45 to 74 of this Annual Report.

Compliance with Relevant Laws and Regulations

During the year under review, 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.

Auditor

The financial statements for the year ended 31 December 2022 of the Company have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

LI Jun
Chairman

Hong Kong, 28 March 2023

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
海通國際證券集團有限公司
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Haitong International Securities Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 113 to 277 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters

Impairment charges of advances to customers and investment securities at amortised cost ("Debt Investment Securities") classified at stages 1 and 2 under expected Credit Loss ("ECL") Model

We identified the impairment charges of advances to customers and Debt Investment Securities (other than the impairment charges of advances to customers and Debt Investment Securities in stage 3 as separately discussed), arising from the application of the ECL model, as a key audit matter due to the significant judgement and estimation by management to determine the ECL amount at the reporting date.

As detailed in note 4 to the consolidated financial statements, the ECL measurement involves significant management judgement and estimation, with the involvement of the Group's internal experts from Risk Management Department, in (i) the selection and application of appropriate models, assumptions and key inputs used in the ECL model, including the probability of default ("PD") and loss given default ("LGD"), (ii) the application of multiple economic scenarios and assigned probability in the ECL model and (iii) the selection and use of reasonable and supportable forward-looking information without undue cost or effort in the ECL model to estimate the future movement of different economic drivers and how these drivers will affect each other and the correlation with the key inputs, including PD and LGD.

Our procedures in relation to the impairment charges of advances to customers and Debt Investment Securities (other than the impairment charges of advances to customers and Debt Investment Securities in stage 3 in respect of which further procedures are separately outlined in the next key audit matter), arising from the application of the ECL Model included:

- Understanding the Group's established credit risk policies and procedures for impairment assessment in relation to the application of ECL model under HKFRS 9, including model set up and approval and selection and application of assumptions and key inputs into the ECL model;
- Understanding the key controls over ongoing monitoring processes, including:
  - (i) the margin call procedures for margin shortfall and actions taken by management for advances to customers in margin financing;
  - (ii) the periodic reviews for identification of any potential delinquency in principal or interest repayment and actions taken by management for advances to customers and Debt Investment Securities;

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment charges of advances to customers and investment securities at amortised cost ("Debt Investment Securities") classified at stages 1 and 2 under expected Credit Loss ("ECL") Model – continued	
The management further assesses whether there has been a significant increase in credit risk ("SICR") for exposures since initial recognition. If there has been a SICR, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information available without undue cost or effort with significant judgments involved.	• Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if SICR has occurred (stage 2) or the financial asset is credit-impaired (stage 3) and the basis for classification of exposures into the 3 stages as required by HKFRS 9 and examining supporting information on a sample basis to assess the appropriateness of the classification of exposures as at the end of the reporting period;
The total gross amount of (i) advances to customers in margin financing, (ii) advances to customers in term financing and (iii) Debt Investment Securities, under stages 1 and 2 as at 31 December 2022, are HK$7,696 million, HK$1,579 million and HK$638 million less impairment allowance of HK$21 million, HK$13 million and HK$2 million respectively. Please see note 42 to the consolidated financial statements.	• Evaluating, together with our internal valuation specialists, the reasonableness and appropriateness of the selection and application of models, assumptions, and key inputs used in the ECL model, the application of multiple economic scenarios and assigned probability in the ECL model, information and parameters used in the model in establishing the forward looking factors, and the correlation between the forward looking factors and the key inputs, including PD and LGD, in the ECL model to determine the impairment loss of advances to customers and Debt Investment Securities in stage 1 or 2; and • Testing the accuracy and completeness of key data sources applied in the ECL computation on a sample basis by checking to the Group's supporting information, the relevant loan files and external data sources, as applicable.

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment charges of advances to customers and Debt Investment Securities in stage 3	
We identified the impairment charges of advances to customers and Debt Investment Securities in stage 3 as a key audit matter due to the involvement of significant management judgement and estimation uncertainty in determining the ECL amount. As set out in note 42 to the consolidated financial statements, the total gross amount as at 31 December 2022 of (i) advances to customers in margin financing, (ii) advances to customers in term financing and (iii) Debt investment Securities amounted to HK$13,366 million, HK$3,403 million and HK$4,298 million respectively, of which HK$5,670 million, HK$1,823 million and HK$3,659 million respectively are classified as Stage 3. As at 31 December 2022, an impairment allowance of HK$1,125 million, HK$562 million and HK$423 million has been recognised in relation to (i) advances to customers in margin financing, (ii) advances to customers in term financing and (iii) Debt Investments Securities under stage 3, respectively, as disclosed in note 42 to the consolidated financial statements.	Our procedures in relation to the impairment of advances to customers and Debt Investment Securities in stage 3 included those covered in the above key audit matter related to ECL model on advances to customers and Debt Investment Securities and the following additional procedures: – corroborating and challenging management's assessment and expectation of reasonably possible outcomes on the recoverability of advances to customers and Debt Investment Securities and the estimated fair value and future cash flows from the pledged securities against our understanding of the situations and the industries of the borrowers, guarantor or collaterals from reading public announcements and other externally available information; – Examining underlying documentation supporting the management's key estimations and inputs used in determining the present value of the estimated future cash flows, including the historical repayment records, the fair value of the listed securities and any expected settlement subsequent to the end of the reporting period, if any, and other information available for the creditability of those borrower;

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment charges of advances to customers and Debt Investment Securities in stage 3 – continued	
In assessing the lifetime ECL on individual credit-impairment financial assets classified as stage 3, the Group performed the assessment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers (such as whether there is any guarantor and the financial strength of the guarantor), general economic conditions at the reporting date as well as the forecast of future conditions with significant judgment involved. The Group also reviews the value of the collateral received from the customers and credit enhancement received in debt collection process in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.	– discussing with the management the valuation of the unlisted collaterals and together with our own internal valuation specialists, where appropriate: (i) Obtaining the appraisal reports and assessing the independence, competence, capability and objectivity of the third party professional valuer and their experience in conducting valuation of similar assets; (ii) assessing whether the selection of the valuation methodology is appropriate for the collateral; and (iii) assessing the reasonableness of the assumptions, judgements and key inputs used in the valuation of the collateral by independently checking to the external data and publicly available information.

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of certain Level 3 financial instruments	
We identified the valuation of certain financial instruments classified as level 3 under the fair value hierarchy ("Level 3 financial instruments") as a key audit matter due to the significance unobservable inputs which involved significant assumptions, judgement and estimates made by management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data. Details are set out in note 43 to the consolidated financial statements. As at 31 December 2022, out of the total fair value of financial assets held for trading and market making activities, investment securities at fair value (through profit or loss and through other comprehensive income), asset acquired for financial products issued and financial products issued at fair value classified as Level 3, amounted to HK$587 million, HK$20,449 million, HK$5,232 million and HK$512 million respectively as disclosed in note 43 to the consolidated financial statements, a net position of HK$10,650 million of the financial instruments (including financial assets held for trading and market making activities of HK$587 million, investment securities at fair value (through profit or loss and through other comprehensive income) of HK$5,476 million, asset acquired for financial products issued of HK$5,099 million and financial products issued at fair value of HK$512 million) were estimated at fair values derived from valuation techniques that include unobservable inputs with significant management judgements and estimation uncertainty. These Level 3 financial instruments include debt investments, unlisted equity investments, net position of unlisted financial products at fair value with carrying amounts as at 31 December 2022 of HK$8,059 million, HK$2,047 million and HK$544 million, respectively.	Our procedures in relation to the valuation of Level 3 financial instruments included: • Understanding the Group's valuation models for Level 3 financial instruments and the key controls over selection of valuation methods and determining the valuation of such instruments; • Discussing with management, together with our own internal valuation specialists, where necessary, on the valuation of the Level 3 financial instruments, and: (i) evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; and (ii) evaluating the appropriateness of the key inputs by independently checking to the external data; or by evaluating the rationale of management's judgement on the key inputs; or by performing sensitivity analysis with reference to available market information to evaluate the reasonableness of the valuation, where appropriate. • Assessing the independence, competence, capability and objectivity of the third party specialists engaged by the Group and their experience in conducting similar valuation.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

From the matters communicated with those charged with governance, 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 the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue			
Commission and fee income	6	1,542,901	3,257,464
Interest income	6	1,787,537	1,741,000
Net trading and investment income	6	(4,720,892)	253,720
		(1,390,454)	5,252,184
Other income and gains or losses	6	193,487	35,166
		(1,196,967)	5,287,350
Staff costs	7	(1,156,425)	(1,316,396)
Commission expenses	10	(11,305)	(107,562)
Amortisation and depreciation	27 & 30	(234,199)	(284,080)
Operating expenses		(753,651)	(948,809)
Finance costs	9	(1,349,102)	(1,106,837)
		(3,504,682)	(3,763,684)
(Loss)/Profit before impairment charges and tax		(4,701,649)	1,523,666
Impairment charges, net of reversal	8	(1,587,839)	(800,521)
(Loss)/Profit before tax	10	(6,289,488)	723,145
Income tax expense	13	(251,022)	(422,319)
(Loss)/Profit for the year attributable to owners of the Company		(6,540,510)	300,826
(Loss)/Earnings per share attributable to owners of the Company	14		
– Basic (HK cents per share)		(100.43)	4.64 (restated)
– Diluted (HK cents per share)		(100.43)	4.63 (restated)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
(Loss)/Profit for the year attributable to owners of the Company	**(6,540,510)**	300,826
Other comprehensive (expenses) income:		
Item that will not be reclassified subsequently to profit or loss:		
Fair value changes on investments in equity instruments at fair value through other comprehensive income	**(315,321)**	(41,182)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on investments in debt instruments at fair value through other comprehensive income		
– Net fair value changes during the year	**–**	(780)
– Reclassification adjustment to profit or loss on disposal	**–**	31,260
Exchange differences on translating foreign operations	**(4,986)**	32,484
Other comprehensive (expenses)/income for the year	**(320,307)**	21,782
Total comprehensive (expenses)/income for the year attributable to owners of the Company	**(6,860,817)**	322,608

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 Current HK$'000	2022 Non-current HK$'000	2022 Total HK$'000	2021 Current HK$'000	2021 Non-current HK$'000	2021 Total HK$'000
ASSETS							
Cash and cash equivalents		5,002,861	–	5,002,861	7,106,485	–	7,106,485
Cash held on behalf of customers	16	9,059,437	–	9,059,437	12,820,396	–	12,820,396
Financial assets held for trading and market making activities	17	903,855	–	903,855	3,265,941	–	3,265,941
Investment securities	18	24,209,788	10,821,498	35,031,286	25,843,187	9,363,316	35,206,503
Assets acquired for financial products issued	19	10,562,194	2,422	10,564,616	16,888,862	664,783	17,553,645
Derivative financial instruments	20	185,760	–	185,760	106,239	–	106,239
Advances to customers	21	13,944,015	1,104,108	15,048,123	11,461,781	626,016	12,087,797
Cash collateral on securities borrowed and reverse repurchase agreements	22	1,404,392	–	1,404,392	4,799,467	–	4,799,467
Receivable from clients for subscription of new shares in IPO	23	1,080	–	1,080	–	–	–
Accounts receivable	23	4,704,423	–	4,704,423	8,027,400	–	8,027,400
Tax recoverable		656,019	–	656,019	525,662	–	525,662
Prepayments, deposits and other receivables	24	1,423,609	100,574	1,524,183	1,756,485	39,406	1,795,891
Goodwill and other intangible assets	27	–	431,308	431,308	–	451,260	451,260
Other assets	28	–	223,826	223,826	–	199,664	199,664
Investment properties	29	–	3,405,900	3,405,900	–	–	–
Property and equipment	30	–	875,388	875,388	–	855,159	855,159
Deferred tax assets		–	74,745	74,745	–	190,086	190,086
Total assets		72,057,433	17,039,769	89,097,202	92,601,905	12,389,690	104,991,595

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 Current HK$'000	2022 Non-current HK$'000	2022 Total HK$'000	2021 Current HK$'000	2021 Non-current HK$'000	2021 Total HK$'000
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities held for trading and market making activities	17	125,875	–	125,875	2,385,995	–	2,385,995
Financial products issued at fair value	19	2,879,886	2,450	2,882,336	7,500,248	269,532	7,769,780
Derivative financial instruments	20	187,631	–	187,631	320,368	–	320,368
Cash collateral on securities lent and repurchase agreements	31	5,859,415	–	5,859,415	3,077,400	–	3,077,400
Accounts payable	32	10,601,632	–	10,601,632	15,725,062	–	15,725,062
Bank borrowings and debt securities in issue	33	36,175,110	10,884,538	47,059,648	30,834,003	13,983,988	44,817,991
Liabilities arising from consolidation of investment funds	26	361,940	–	361,940	975,190	–	975,190
Tax payable		181,206	–	181,206	691,798	–	691,798
Other payables, accruals and other liabilities	34	956,925	169,597	1,126,522	1,490,565	188,822	1,679,387
Deferred tax liabilities		–	22,189	22,189	–	22,179	22,179
Total liabilities		57,329,620	11,078,774	68,408,394	63,000,629	14,464,521	77,465,150
Equity							
Share capital	35			664,156			603,778
Reserves				20,024,652			26,922,667
Total shareholders' equity				20,688,808			27,526,445
Total liabilities and shareholders' equity				89,097,202			104,991,595
Net current assets				14,727,813			29,601,276

The associated financial statements on pages 113 to 277 were approved and authorised for issue by the board of directors on 28 March 2023 and are signed on its behalf by:

LIN Yong	**POON Mo Yiu**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium account[1 & 2] HK$'000	Share option reserve[1] HK$'000	Share award reserve[1] HK$'000	Shares held for employee share award scheme[1] HK$'000	Capital redemption reserve[1] HK$'000	Contributed surplus[1] HK$'000	Capital reserve[1] HK$'000	Investments revaluation reserve[1] HK$'000	Exchange reserve[1] HK$'000	Convertible bond reserve[1] HK$'000	Proposed dividends HK$'000	Retained profits[1] HK$'000	Total HK$'000
At 1 January 2021	603,603	19,312,407	50,428	35,431	(389,986)	5,102	21	40,383	(93,937)	(135,806)	6,411	706,216	8,176,896	28,317,169
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	300,826	300,826
Other comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	(10,702)	32,484	–	–	–	21,782
Total comprehensive (expense) income	–	–	–	–	–	–	–	–	(10,702)	32,484	–	–	300,826	322,608
Recognition of equity-settled share-based payment (note 36)	–	–	2,678	130,655	–	–	–	–	–	–	–	–	–	133,333
Vesting of shares for the share award scheme	–	13,455	–	(133,709)	120,254	–	–	–	–	–	–	–	–	–
Redemption of convertible bond	–	–	–	–	–	–	–	–	–	–	(6,411)	–	6,411	–
Shares issued under share option scheme (notes 35 & 36)	175	3,377	(530)	–	–	–	–	–	–	–	–	–	–	3,022
2020 second interim dividend declared and settled in cash	–	–	–	–	–	–	–	–	–	–	–	(706,216)	(70)	(706,286)
2021 interim dividend declared and settled in cash (note 15)	–	–	–	–	–	–	–	–	–	–	–	–	(543,401)	(543,401)
Share awards lapsed	–	1,346	–	(1,346)	–	–	–	–	–	–	–	–	–	–
Share options lapsed	–	29,448	(29,448)	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2021	603,778	19,360,033	23,128	31,031	(269,732)	5,102	21	40,383	(104,639)	(103,322)	–	–	7,940,662	27,526,445
At 1 January 2022	**603,778**	**19,360,033**	**23,128**	**31,031**	**(269,732)**	**5,102**	**21**	**40,383**	**(104,639)**	**(103,322)**	**–**	**–**	**7,940,662**	**27,526,445**
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	(6,540,510)	(6,540,510)
Other comprehensive expense for the year	–	–	–	–	–	–	–	–	(315,321)	(4,986)	–	–	–	(320,307)
Total comprehensive expense	–	–	–	–	–	–	–	–	(315,321)	(4,986)	–	–	(6,540,510)	(6,860,817)
Recognition of equity-settled share-based payment (note 36)	–	–	1,540	39,310	–	–	–	–	–	–	–	–	–	40,850
Vesting of shares for the share award scheme	–	(6,541)	–	(49,997)	56,538	–	–	–	–	–	–	–	–	–
Purchases of shares held under the share award scheme	–	–	–	–	(17,670)	–	–	–	–	–	–	–	–	(17,670)
Shares issued under bonus issue (note 35)	60,378	(60,378)	–	–	–	–	–	–	–	–	–	–	–	–
Adjustment of bonus issue	–	(2,355)	2,355	–	–	–	–	–	–	–	–	–	–	–
Share awards lapsed	–	497	–	(497)	–	–	–	–	–	–	–	–	–	–
Share options lapsed	–	10,512	(10,512)	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2022	**664,156**	**19,301,768**	**16,511**	**19,847**	**(230,864)**	**5,102**	**21**	**40,383**	**(419,960)**	**(108,308)**	**–**	**–**	**1,400,152**	**20,688,808**

1 These reserve accounts represent the consolidated reserves other than share capital and proposed dividends of approximately HK$20,025 million (31 December 2021: approximately HK$26,923 million) in the consolidated statement of financial position.

2 As at 31 December 2022, the trustee of the share award scheme held 116,982,123 ordinary shares of the Company (31 December 2021: 117,409,723 shares) for the share award scheme, which was adopted by the Board of directors of the Company (the "Board") on 19 December 2014, through purchases in the open market. The amount transferred from "Shares held for employee share award scheme" to "Share premium account" represents shares vested during the current year, and amount transferred from "Share award reserve" to "Share premium account" represents cumulative equity settled share-based payment amount recognised on awarded shares vested/lapsed during the current year. Details of the share award scheme of the Company has been disclosed in note 36 to the consolidated financial statements and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
(Loss) Profit before tax	**(6,289,488)**	723,145
Adjustments for:		
Interest income	**(1,787,537)**	(1,741,000)
Finance costs	**1,349,102**	1,106,837
Dividend income	**(333,671)**	(918,345)
(Gain) loss on disposal of property and equipment	**(22)**	26
Amortisation and depreciation	**234,199**	284,080
Impairment charges, net of reversal	**1,587,839**	800,521
Equity-settled share-based payment	**40,850**	133,333
Operating cash flows before movements in working capital	**(5,198,728)**	388,597
Increase in other assets	**(24,162)**	(1,613)
Increase in investment properties	**(3,405,900)**	–
(Increase) decrease in advances to customers	**(3,735,136)**	3,295,639
(Increase) decrease in receivable from clients for subscription of new share in IPO	**(1,080)**	562,717
Decrease (increase) in accounts receivable	**3,195,597**	(3,012,243)
Increase in prepayments, deposits and other receivables	**(37,940)**	(592,932)
Decrease in financial assets held for trading and market making activities	**2,362,086**	7,324,886
(Increase) decrease in investment securities	**(556,710)**	11,576,874
Decrease in assets acquired for financial products issued	**6,989,029**	14,400,325
Decrease in cash held on behalf of customers	**3,761,656**	6,733,760
Decrease in accounts payable	**(5,120,477)**	(7,196,477)
Increase (decrease) in cash collateral on securities lent and repurchase agreements	**2,698,515**	(7,603,025)
Decrease in cash collateral on securities borrowed and reverse repurchase agreements	**3,392,941**	2,939,196
Decrease in financial liabilities held for trading and market making activities	**(2,260,120)**	(1,681,276)
Decrease in financial products issued at fair value	**(4,887,444)**	(8,665,874)
Change in derivative financial instruments (net)	**(212,258)**	126,514
Decrease in other payables, accruals and other liabilities	**(706,462)**	(52,342)
Decrease in liabilities arising from consolidation of investment funds (Note)	**(613,250)**	(4,096,395)
Cash (used in) from operations	**(4,359,843)**	14,446,331
Interest received	**1,837,106**	1,643,241
Dividend received	**333,671**	918,345
Interest paid	**(1,024,867)**	(1,037,333)
Tax paid	**(776,620)**	(470,249)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(3,990,553)**	15,500,335

	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	**22**	489
Purchases of intangible assets	**(14,052)**	(17,175)
Purchases of property and equipment	**(123,762)**	(91,462)
NET CASH USED IN INVESTING ACTIVITIES	**(137,792)**	(108,148)
FINANCING ACTIVITIES		
Proceeds from issuance of non-convertible notes	**4,741,468**	13,147,148
Proceeds from issuance of non-convertible bonds	**–**	2,329,470
Issuance cost of non-convertible bonds paid	**–**	(10,043)
Repayment of non-convertible notes	**(8,371,198)**	(12,548,329)
Redemption of convertible bonds	**–**	(127,137)
Proceeds from shares issued upon exercise of share options	**–**	3,022
Repayment of lease liabilities	**(129,192)**	(153,718)
Net proceeds (repayment) for bank borrowings raised	**5,801,313**	(14,011,353)
Dividends paid to shareholders	**–**	(1,249,687)
Purchase of shares held under share award scheme	**(17,670)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**2,024,721**	(12,620,627)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,103,624)**	2,771,560
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,106,485**	4,334,925
CASH AND CASH EQUIVALENTS AT END OF YEAR	**5,002,861**	7,106,485
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**5,002,861**	7,106,485

Note: Liabilities arising from consolidation of investment funds represent interest held by third-parties in investments funds while such funds are consolidated in the Group's financial positions and financial performance as a result of assessment of criteria (as detailed in note 26). Change in such interests as disclosed in the consolidated statement of cash flows is an accounting technical adjustment and increase or decrease in such liability has no impact to the Group's cash flow management and financial position.

Disclosure in relation to the changes in liabilities arising from financing activities are detailed in note 33 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. General Information

Haitong International Securities Group Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal place of business of the Company is located at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. The Company is a holding company and the business segments of the Company and its subsidiaries (collectively referred as the "Group") include wealth management, corporate finance, asset management, global markets and investment. Details of the business segments of the Group are disclosed in note 5 to the consolidated financial statements.

The Company's immediate holding company and ultimate holding company are Haitong International Holdings Limited (incorporated in Hong Kong) and Haitong Securities Co., Limited ("HSCL") (incorporated in the People's Republic of China ("PRC")) respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company, unless otherwise stated, and were approved for issue by the Board on 28 March 2023.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and amendments to HKFRS in issued but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and amendments to HKFRS in issued but not yet effective (continued)

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

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2022, including bank borrowings and debt securities in issue, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. Basis of Preparation and Significant Accounting Policies

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users of the financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Companies Ordinance.

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

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

As at 31 December 2022, the net assets of the Group amounted to HK$20,689 million (31 December 2021: HK$27,526 million) and the Group incurred a net loss of HK$6,541 million (2021: net profit of HK$301 million) for the year then ended. In light of the above circumstances, the directors have performed an evaluation of the future liquidity and performance and sources of finance available to the Group to assess the adoption of going concern basis in preparation of the consolidated financial statements of the Group. In order to strengthen and enhance the Group's liquidity and cash flows in the foreseeable future to operate as a going concern, the Group has either implemented or is in the process of implementing the following measures:

(i) To secure financial support from the controlling shareholders

The Group has obtained letters of support from its ultimate controlling shareholder, HSCL and immediate controlling shareholder, Haitong International Holdings Limited ("HIHL"), respectively, which have explicitly confirmed their intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from HSCL and HIHL will continue to be forthcoming. On 17 March 2023, HSCL, through its investee entity and HIHL, have subscribed for the subordinated perpetual securities of US$200 million issued by the Group to help enhance the Group's equity base and financial position for future operations and development. Such issuance of subordinated perpetual securities was completed on 21 March 2023. In addition, on 28 March 2023, the Board has resolved to propose a rights issue of the Company on the basis of three rights shares for every ten existing shares, to raise share capital in the amount of approximately HK$1.0 billion to HK$1.5 billion.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

(ii) To dispose of marketable listed equity securities and exchange traded funds

In respect of the listed equity securities of HK$1,368 million, exchange traded funds of HK$1,340 million in Hong Kong held by the Group, which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the consolidated financial position as at 31 December 2022, the Directors are of the opinion that the Group would be able to dispose of such investments in the near future as and when it is necessary to alleviate the Group's liquidity pressure.

(iii) To recover cashflows from various projects, to control operating expenses and capital expenditures

The Group will take active measures to improve its cash inflow through focus of recovering cashflows from existing projects and investments in the upcoming year. At the same time, the Group will continue to take active measures to reduce its operating and capital expenses.

The Directors have reviewed the Group's cash flow projections prepared by management for a period of not less than 15 months from 31 December 2022. In the opinion of the directors after taking into account the abovementioned plans and measures, the Group will have sufficient equity base and working capital to secure continuous banking financing and to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Fair value

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

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

Fair value (continued)

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

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

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

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including investment funds) 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 is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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 agreements; 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 from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Loss of control of a subsidiary

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method (including acquisition of subsidiaries of HSCL). The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The Group acting as a fund manager, may determine that it has significant influence over the fund in the capacity of an agent to the fund (see the accounting policy above for the determination of agent). In such situation, the Group would recognise the investment as a financial instrument (see the accounting policy below).

When an investment in an associate or a joint venture is held by, or is held indirectly through, a group entity that is a venture capital organisation and similar entities, the Group may elect to measure investments in those associates and joint ventures at fair value through profit or loss ("FVTPL") in accordance with HKFRS 9.

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

3.2 Significant accounting policies (continued)

Non-current assets held for sale (continued)

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the 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.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

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 liabilities relating to the same contract are accounted for and presented on a net basis.

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

(1) *Brokerage*

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

(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 financial advisory services. Revenue is recognised when the relevant placing, underwriting, sub-underwriting or financial advisory activities are completed. Accordingly, the revenue is recognised at a point in time.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

(2) *Corporate finance (continued)*

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

(3) *Asset management*

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receives and consumes 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 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 subsequently resolved.

Variable consideration

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

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

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.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of billboards that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets that do not meet the definition of investment property in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments relevant to the Group include:

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

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

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

The Group as a lessor under operating lease

When the Group acts as the lessor under operating lease, rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Rental income is presented as "other income and gains or losses" in the consolidated statement of profit or loss.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Property and equipment are depreciated when they are available for use. They are depreciated at rates sufficient to write off their costs net of expected residual values over their estimated useful lives on a straight-line basis. The residual values and useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Owned properties and leased properties	Over the shorter of the lease terms and 2.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and equipment	20%
Computer hardware and equipment	30%

Ownership interests in leasehold land and building (included in owned properties)

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Property and equipment (continued)

Ownership interests in leasehold land and building (included in owned properties) (continued)

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

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

Investment properties

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Investment properties include properties held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property shall be reclassified as property and equipment when a commencement of owner-occupation occurs and consequently the investment property ceases to meet the definition of investment property. For a transfer from investment property carried at fair value to property and equipment, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses. The estimated useful lives of computer software and system development of the Group are from 3 to 10 years.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent costs and qualifying development expenditure incurred after the completion of a system are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with that item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs and other subsequent expenditure are charged to the consolidated statement of profit or loss when incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses on the same basis as intangible assets that are acquired separately. Useful lives are also examined on an annual basis and adjustments where applicable are made on a prospective basis.

Alternatively, intangible assets acquired in a business combination with indefinite useful lives 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).

Derecognition of intangible assets

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Foreign currency translation

- *Functional and presentation currency*

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

- *Transactions and balances*

  Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

  Translation differences on non-monetary financial assets that are classified as financial assets measured at FVTPL are reported as part of the fair value gain or loss.

- *Group companies*

  The results and financial position of all the Group entities that have a non-Hong Kong Dollar functional currency are translated into Hong Kong Dollar as follows:

  – assets and liabilities (including goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries) for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

  – income and expenses for each income statement are translated at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions;

  – all resulting currency translation differences are recognised in other comprehensive income in the exchange reserve under equity; and

  – on the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Employee benefits

Pension scheme

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

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

Paid leave carried forward

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

Bonus and incentive plans

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

Share-based compensation expenses

Share options granted to employees

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options.

Share-based compensation expenses to employees are measured at fair value at the grant date.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Share-based compensation expenses (continued)

Share options granted to employees (continued)

The fair value of the share-based compensation expenses determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share options that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimate of the number of share options expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to share premium.

Share award scheme to employees

The Company adopted a 10-year share award scheme to incentivise selected employees and directors for their contributions to the Group.

For any awarded shares granted, the fair value of the employee services received is determined by reference to the fair value of awarded shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve). At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

For any shares of the Company ("Scheme Shares") that are purchased under the share award scheme, the consideration paid, including any directly attributable incremental costs, would be presented as "Shares held for employee share award scheme" and deducted from equity. When the Scheme Shares are transferred to the awardees upon vesting, the related costs of the scheme shares are eliminated against the share award reserve and the remaining balances will be transferred to share premium. For the own shares acquired by the Company for the scheme, the details have been disclosed in the consolidated statement of changes in equity.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Taxation

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

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Impairment on non-financial assets

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

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

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Impairment on non-financial assets (continued)

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

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

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 16.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

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

Interest/dividend income which are derived from the Group's ordinary course of business are included 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 selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

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 upon initial recognition of an equity instrument that the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the 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

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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Debt instruments 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 investments revaluation 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 investments revaluation 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 profits.

Dividends from 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 at FVTOCI are measured at FVTPL.

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including advances to customers, investment securities measured at amortised cost, debt instruments measured at FVTOCI, cash collateral on securities borrowed and reverse repurchase agreements, accounts receivable, receivable from clients for subscription of new shares in IPO, deposits and other receivables, cash and cash equivalents, cash held on behalf of customers), which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the 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 and the ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with debtors having similar credit ratings.

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

(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.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for advances to customers in margin financing where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information that demonstrates otherwise.

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.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due (except for advances to customers in margin financing where a shorter period of "past due" has been applied in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information that demonstrates otherwise.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) substantial shortfall of the loan balance versus the collateral held by the Group while there is no concrete repayment plan to reduce the shortfall;

(d) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(e) probable event that the borrower will enter bankruptcy or other financial reorganisation; or

(f) the disappearance of an active market for that financial asset because of financial difficulties.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(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. 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.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD 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 or cater for cases where evidence for impairment measurement at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts receivable, receivable from clients for subscription of new shares in IPO, advances to customers, investment securities measured at amortised cost, cash collateral on securities borrowed and reverse repurchase agreements, deposits and other receivables, cash and cash equivalents and cash held on behalf of customers are each assessed as a separate group);

- Past-due status; and

- External credit ratings where available.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL (continued)

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

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

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

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 investments revaluation reserve is reclassified to profit or loss.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

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 investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers 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 asset, after reducing gross carrying amount that has been written off.

Substantial modifications are treated as an extinguishment, and so derecognition, of the existing financial asset and recognition of a new asset based on the new contractual terms. Any difference is recognised as a gain or loss within profit or loss. Costs or fees incurred are also recognised within profit or loss as part of the gain or loss on extinguishment.

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

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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 Group 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.

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the 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 contract to be designated as at FVTPL.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of changes 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. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 43.

Net assets attributable to holders of non-controlling 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 holders of non-controlling 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. The holders have the right to put their attributable shares to the fund for cash with no cause.

As at year end, such financial liability of net assets attributable to holders of non-controlling interests in consolidated investment funds is presented as "liabilities arising from consolidation of investment funds" 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 in the consolidated statement of profit or loss.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

Financial liabilities including non-convertible notes, non-convertible bonds and bank borrowings, cash collateral on securities lent and repurchase agreements, accounts payable and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis in profit or loss.

Derecognition 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.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, 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. The above said fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Accordingly, such 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.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities (continued)

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.

When the contractual terms of a financial liability are modified, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

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

Offsetting a financial asset and a financial liability

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

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. Financial assets sold under repurchase agreements, which do not result in derecognition of the financial assets, and are classified as "financial assets at FVTPL". The proceeds from selling such assets are recognised as financial liabilities and 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 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 initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

Key sources of estimation uncertainty

Impairment charges of financial assets at amortised cost

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

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

Incorporation of forward-looking information

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment charges of financial assets at amortised cost (continued)

Measurement of ECL

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

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

In assessing the lifetime ECL on credit-impaired financial assets classified as stage 3, the Group performs the assessment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers (such as whether there is any guarantor and the financial strength of the guarantor), general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews the value of the collateral received from the customers and other types of credit enhancement received during debt collection process in determining the impairment. During the course of business, the Group will receive different types of collateral for financing provided, such as listed shares, shares of unlisted companies or assets such as property, and the Group together with third party professional valuers engaged by the Group, where necessary, has developed valuation techniques and policies in valuing different types of collateral. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce material differences between loss estimates and actual loss experience.

Relevant information with regard to the exposure to credit risk and ECL are set out in note 42 to the consolidated financial statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Fair value of financial instruments

The Group selects appropriate valuation techniques for financial instruments which are classified as Level 2 and 3 investments in accordance with the Group's significant accounting policies as disclosed in note 3 to the consolidated financial statements. Note 43 to the consolidated financial statements provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

Estimated impairment of goodwill

For goodwill arising from acquisitions in prior years, assessment performed to determine whether goodwill is impaired. This assessment requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2022, the carrying value of goodwill amounted to HK$380,099,000 (2021: HK$380,099,000). Details of the recoverable amount calculation are disclosed in note 27 to the consolidated financial statements.

Estimation of realisability of deferred tax assets

Deferred tax assets are recognised for tax losses not yet used and recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgement is required to assess the probability of future taxable profits for a 3-year period (except for investment gains from financial asset based on a 1-year forecast), considering several factors including potential cashflows from assets (including financial assets) held, unrealised or realised gains or loss from these assets, and macro-economic environment (such as forecasted outlook of the financial market). Management's assessment is constantly reviewed, and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. As at 31 December 2022, the Group recognised deferred tax assets of approximately HK$75 million (31 December 2021: HK$190 million). In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Furthermore, as at 31 December 2022, the Group has unrecognised deferred tax assets of approximately HK$1,601 million (31 December 2021: HK$981 million) arising from the subsidiaries of the Group which management consider that these subsidiaries are unlikely to generate available future taxable profit to utilise the deferred tax benefit.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying accounting policies

Determination of consolidation scope of certain investments

The Group invested in certain investment funds, partnerships and private equity investments (collectively referred to as "Investments" for the purpose of this note as well as notes 25 and 26) which have been formed so that voting or similar rights may not be the dominant factor in deciding who controls these Investments, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the Investments. The principle of control sets out the following three elements of control: (a) power over the Investments; (b) exposure, or rights, to variable returns from involvement with the Investments; and (c) the ability to use power over the Investments to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

In conducting the assessment to determine the consolidation scope, the directors of the Company consider whether the Group has power to remove or control over the party having the ability to direct the relevant activities of the Investments based on the facts and circumstances and whether the Group has exposure to variable returns of the Investments or not. Among those Investments held by the Group where the Group is directly or indirectly involved as investment manager, in determining whether the group is an agent to the Investments, the Group would assess:

- the scope of its decision-making authority over the investee;
- substantive removal rights held by other parties may remove the Group as a fund manager; and
- the investment interests held together with its remuneration from servicing and managing these investment funds create significant exposure to variability of returns in these Investments.

Detailed accounting policy on assessment of control are set out in "basis of consolidation" in note 3 and further details are set out in note 25 and note 26.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Significant increase in credit risk in measurement of ECL

As explained in note 3, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12m ECL. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information without undue cost or effort with significant judgments involved. Information that will be taken into account when assessing whatever there is significant increase in credit risks are set out in "Impairment of financial assets" in note 3 and note 42.

5. Segment Information

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

Most of the Group's revenue is related to activities conducted in Hong Kong. No single customer amounts to more than 10 percent of the Group's revenue.

The segments are managed separately as each segment engages in different activities. The Group's operating and reportable segments are as follows:

(a) the wealth management segment provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a broad range of products and services including securities, futures and options contracts, over the counter products, funds, discretionary account management services, securities custodian services, and securities margin financing;

(b) the corporate finance segment engages in provision of sponsoring and underwriting services to corporate clients for their fund raising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment also provides financing solutions to the corporate clients and distributes these financing assets in secondary market;

(c) the asset management segment engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds, and mandatory provident funds to individual, corporate and institutional clients;

(d) the global markets segment provides a vast range of financial services to a diverse group of institutional clients, such as investment funds, sovereign funds, insurance companies and financial institutions, globally. This segment offers sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory. This segment is supported by the award-winning equity research team that specialises in listed equities in Asian financial markets; and

(e) the investment segment invests in various instruments and holds majority of investment securities (measured at amortised cost and at fair value) of the Group. Investments held by this segment include primarily investment funds, listed and unlisted debt and equities, alternative investments (such as real estate investments through investment funds and subsidiaries) and private equities. This segment aims at acquiring investments that generates a reasonable yield while maintaining a robust risk management mechanism.

5. Segment Information (continued)

The following table presents revenue and profit (loss) for the Group's business segments:

For the year ended 31 December 2022

	Wealth management HK$'000	Corporate finance HK$'000	Asset management HK$'000	Global markets HK$'000	Investment HK$'000	Consolidated HK$'000
Segment revenue:						
Commission and fee income	191,515	550,755	292,656	507,975	–	1,542,901
Interest income	908,041	30,049	–	67,171	782,276	1,787,537
Net trading and investment income	–	–	–	376,140	(5,097,032)	(4,720,892)
Segment revenue	1,099,556	580,804	292,656	951,286	(4,314,756)	(1,390,454)
Other income and gains (losses)	(41,231)	751	(39)	15,108	218,898[1]	193,487
	1,058,325	581,555	292,617	966,394	(4,095,858)	(1,196,967)
Segment expenses	(616,640)	(464,200)	(279,347)	(936,864)	(1,207,631)	(3,504,682)
Profit (loss) before impairment charges and tax	441,685	117,355	13,270	29,530	(5,303,489)	(4,701,649)
Impairment charges, net of reversal	(434,106)	(98,205)	–	(6,677)	(1,048,851)	(1,587,839)
Profit (loss) before tax	7,579	19,150	13,270	22,853	(6,352,340)	(6,289,488)
Income tax expense						(251,022)
Loss for the year						(6,540,510)
Amortisation and depreciation	(84,209)	(29,224)	(9,309)	(95,984)	(15,473)	(234,199)
Finance costs	(200,473)	(10,759)	–	(128,651)	(1,009,219)	(1,349,102)

5. Segment Information (continued)

For the year ended 31 December 2021

	Wealth management HK$'000	Corporate finance HK$'000	Asset management HK$'000	Global markets HK$'000	Investment HK$'000	Consolidated HK$'000
Segment revenue:						
Commission and fee income	500,946	1,781,624	384,380	590,514	–	3,257,464
Interest income	907,974	6,112	–	85,214	741,700	1,741,000
Net trading and investment income	–	–	–	896,199	(642,479)	253,720
Segment revenue	1,408,920	1,787,736	384,380	1,571,927	99,221	5,252,184
Other income and gains (losses)	24,673	2,876	70	20,930	(13,383)[1]	35,166
	1,433,593	1,790,612	384,450	1,592,857	85,838	5,287,350
Segment expenses	(687,337)	(541,939)	(198,774)	(1,182,715)	(1,152,919)	(3,763,684)
Profit (loss) before impairment charges and tax	746,256	1,248,673	185,676	410,142	(1,067,081)	1,523,666
Impairment charges, net of reversal	(574,607)	(385)	–	1,011	(226,540)	(800,521)
Profit (loss) before tax	171,649	1,248,288	185,676	411,153	(1,293,621)	723,145
Income tax expense						(422,319)
Profit for the year						300,826
Amortisation and depreciation	(89,119)	(26,283)	(10,189)	(146,253)	(12,236)	(284,080)
Finance costs	(147,867)	(2,009)	–	(108,277)	(848,684)	(1,106,837)

1 This includes net gain (loss) of consolidated investment funds attributable to third-party unit/shareholders.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit/(loss) of each segment without allocation of income tax expenses. No analysis of segment asset and segment liability is presented as the chief operating decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. Revenue and Other Income and Gains or Losses

An analysis of revenue and other income and gains or losses is as follows:

	2022 HK$'000	2021 HK$'000
Revenue		
Commission and fee income (note (i)):		
Commission on brokerage (note (ii))	470,185	839,162
Commission on underwriting and placing	355,084	1,461,896
Financial advisory and consultancy fee income	195,671	319,728
Asset management fee and performance fee income	292,656	384,380
Handling, custodian and service fee income (note (ii))	229,305	252,298
	1,542,901	3,257,464
Interest income:		
Interest income from advances to customers		
– margin financing	690,719	810,435
– term financing	194,068	242,849
Interest income from investment securities measured at amortised cost	667,011	571,224
Interest income from reverse repurchase agreements	64,169	48,231
Interest income from bank deposits and others	171,570	68,261
	1,787,537	1,741,000
Net trading and investment income (note (iii)):		
Net (loss)/gain from financial assets held for trading and market making activities	(87,708)	365,226
Net trading income on financial products	463,848	530,973
Net loss from investments (note (v))	(5,097,032)	(642,479)
	(4,720,892)	253,720
	(1,390,454)	5,252,184
Other income and gains or losses		
Others (note (iv))	193,487	35,166

6. Revenue and Other Income and Gains or Losses (continued)

Notes:

(i) Commission and fee income is the only revenue arising from HKFRS 15, while interest income and net trading and investment income are under the scope of HKFRS 9. Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK$1,169,051,000 (2021: HK$2,700,018,000) and HK$373,850,000 (2021: HK$557,446,000) respectively.

(ii) Amounts of commission on brokerage of HK$355,541,000 (2021: HK$464,206,000) and handling, custodian and service fee income of HK$152,434,000 (2021: HK$126,308,000) have been included in global markets segment and each of the remaining amounts of these categories have been included in wealth management segment.

(iii) Net loss from investments of HK$5,097,032,000 (2021: net loss of HK$642,479,000) has been included in investment segment. Net loss from financial assets held for trading and market making activities of HK$87,708,000 (2021: net gain of HK$365,226,000) and net trading income on financial products of HK$463,848,000 (2021: net trading income of HK$530,973,000) have been included in global markets segment.

(iv) Included in other income and gains or losses is the net gain on remeasurement of the liability in relation to the share of consolidated investment funds attributable to third-party unit/shareholders of HK$275 million (2021: net gain of HK$22 million).

Foreign exchange loss (net) of HK$152 million (2021: foreign exchange loss (net) of HK$67 million) was also included in the other income and gains or losses. This amount relates to gain or loss arising from translation of foreign currency denominated assets and liabilities (other than financial assets/liabilities measured at fair value through profit or loss) into Hong Kong dollar, while the gain or loss arising from translation of financial assets/liabilities at fair value through profit or loss is recognised within net trading and investment income.

Details of the Group's interest in consolidated investment funds are disclosed in note 26 to the consolidated financial statements.

(v) For the purpose of the disclosure on net loss from investments, investments include net loss from investment securities measured at fair value (note 18) of HK$5,597 million (2021: net losses of HK$642 million) and net revaluation gain of HK$500 million (2021: nil) in investment properties (note 29). During the current year, included in net loss from investments is a revaluation gain of HK$500 million (2021: nil) in relation to investment properties. This revaluation gain from investment properties has been included in investment segment.

7. Staff Costs

	2022 HK$'000	2021 HK$'000
Salaries, incentives, bonuses and allowances	1,107,421	1,268,397
Pension scheme contributions (net)	49,004	47,999
	1,156,425	1,316,396

8. Impairment Charges, Net of Reversal

	2022 HK$'000	2021 HK$'000
Net impairment charges/(reversal of impairment charges) on:		
Advances to customers		
– margin financing	**427,402**	562,271
– term financing	**347,408**	266,674
Investment securities measured at amortised cost	**416,606**	(26,474)
Accounts receivable and others	**396,423**	(1,950)
	1,587,839	800,521

9. Finance Costs

	2022 HK$'000	2021 HK$'000
Bank loans and overdrafts	**766,133**	544,417
Debt securities in issue:		
– Convertible bonds	**–**	1,752
– Non-convertible bonds	**417,529**	393,701
– Non-convertible notes	**70,893**	99,289
Interest on lease liabilities	**11,047**	11,329
Repurchase agreements and others	**83,500**	56,349
	1,349,102	1,106,837

Details of the Group's bank borrowings and debt securities in issue are disclosed in note 33.

10. (Loss)/Profit Before Tax

(Loss)/Profit before tax has been arrived at after charging (crediting):

	2022 HK$'000	2021 HK$'000
Auditor's remuneration:		
Statutory audit fee	**10,698**	5,730
Non-statutory audit service fee	**1,040**	2,154
(Gain) loss on disposal of property and equipment	**(22)**	26
Commission expenses:		
Commission to accounts executives	**–**	76,720
Other commission expenses	**11,305**	30,842
Amortisation and depreciation:		
Depreciation on property and equipment (other than right-of-use assets)	**66,285**	75,851
Depreciation of right-of-use assets	**133,910**	162,166
Amortisation of intangible assets	**34,004**	46,063

11. Directors' and Chief Executive's Emoluments

Independent non-executive directors – directors' fees

The emolument of every independent non-executive director is set out below:

	2022 HK$'000	2021 HK$'000
Wei Kuo-chiang (note (a))	**–**	81
Tsui Hing Chuen, William (note (a))	**–**	101
Lau Wai Piu (note (a))	**–**	81
Wan Kam To	**450**	356
Liu Yan (note (b))	**–**	158
Liu Swee Long Michael (note (c))	**450**	265
Zhang Huaqiao (note (c))	**450**	265
Lee Man Yuen Margaret (note (d))	**350**	124
	1,700	1,431

The emolument of each independent non-executive director includes directors' fees as shown above, while was mainly for his/her services as a director of the Company.

11. Directors' and Chief Executive's Emoluments (continued)

Independent non-executive directors – directors' fees (continued)

Notes:

(a) Retired on 28 May 2021.

(b) Resigned on 25 August 2021.

(c) Appointed on 28 May 2021.

(d) Appointed on 25 August 2021.

Non-executive directors – directors' fees

	2022 HK$'000	2021 HK$'000
Li Jun (notes (e) & (h))	–	–
Qu Qiuping (notes (f) & (h))	–	–
Cheng Chi Ming, Brian (note (h))	200	200
William Chan (notes (g) & (h))	–	81
Zhang Xinjun (note (h))	–	–
	200	281

Notes:

(e) Appointed as a non-executive director and the Chairman of the Board on 19 October 2021.

(f) Resigned as a non-executive director and the Chairman of the Board on 19 October 2021.

(g) Resigned on 28 May 2021.

(h) The non-executive directors' emoluments shown above were for their services as directors of the Company. Except for the directors' fees waived by Mr. Li Jun and Mr. Zhang Xinjun during the year ended 31 December 2022 (2021: Mr. Li Jun, Mr. Qu Qiuping and Mr. Zhang Xinjun), there was no arrangement under which a director (including executive directors, non-executive directors and independent non-executive directors) waived or agreed to waive any remuneration during current year.

The emolument of each non-executive director includes directors' fee as shown above, which was mainly for his/her services as a director of the Company.

11. Directors' and Chief Executive's Emoluments (continued)

Executive directors – directors' fees, salaries and allowances and pension scheme contributions

For the year ended 31 December 2022

	Fees HK$'000	Salaries and allowances HK$'000	Pension Scheme contributions HK$'000	Total HK$'000
Executive directors:				
Lin Yong (notes (i) & (j))	–	4,322	216	4,538
Li Jianguo (note (i))	300	–	15	315
Poon Mo Yiu (note (i))	–	3,146	155	3,301
Sun Jianfeng (note (i))	–	2,480	124	2,604
Sun Tong (note (i))	–	2,478	124	2,602
	300	12,426	634	13,360

For the year ended 31 December 2021

	Fees HK$'000	Salaries and allowances HK$'000	Pension Scheme contributions HK$'000	Total HK$'000
Executive directors:				
Lin Yong (notes (i) & (j))	–	4,320	216	4,536
Li Jianguo (note (i))	300	–	15	315
Poon Mo Yiu (note (i))	–	3,096	155	3,251
Sun Jianfeng (note (i))	–	2,478	124	2,602
Sun Tong (note (i))	–	2,478	124	2,602
	300	12,372	634	13,306

11. Directors' and Chief Executive's Emoluments (continued)

Executive directors – directors' fees, salaries and allowances and pension scheme contributions (continued)

Notes:

(i) The executive directors' emoluments disclosed in these consolidated financial statements were for their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(j) Mr. Lin Yong is also the Chief Executive Officer of the Group and his emoluments disclosed in these consolidated financial statements include those for services rendered by him as the Chief Executive Officer. No apportionment has been made as the directors consider that it is impracticable to apportion this amount among his services to the Company, its holding companies, its subsidiary and its fellow subsidiaries. There was no arrangement under which a director or the chief executive officer waived or agreed to waive any remuneration during the year.

Other emoluments received by executive directors of the Company are detailed in notes 36 and 38 of the consolidated financial statements.

12. Five Highest Paid Employees

The five highest paid employees did not include directors for both years. Details of each director's remuneration are set out in note 11 above.

The total remuneration of five non-directors for the year ended 31 December 2022 and five non-directors for the year ended 31 December 2021 was as follows.

	2022 HK$'000	2021 HK$'000
Salaries, incentives, bonuses and allowances	34,731	78,724
Pension scheme contributions (net)	620	771
	35,351	79,495

12. Five Highest Paid Employees (continued)

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

	2022 Number of individuals	2021 Number of individuals
HK$5,500,001 to HK$6,000,000	**2**	–
HK$7,500,001 to HK$8,000,000	**2**	–
HK$8,000,001 to HK$8,500,000	**1**	–
HK$10,000,001 to HK$11,000,000	**–**	1
HK$13,500,001 to HK$14,000,000	**–**	1
HK$16,000,001 to HK$16,500,000	**–**	1
HK$17,000,001 to HK$17,500,000	**–**	1
HK$21,000,001 to HK$22,000,000	**–**	1
	5	5

Note: Details of the remuneration disclosed above do not include amounts paid or payable by way of commissions generated by employees of the Group. No amount is paid or payable by the Group as inducement for directors and 5 highest paid employees to join the Group or compensation for the loss of office as a director in connection with the management of the affairs of any members of the Group during the year.

13. Income Tax Expense

	2022 HK$'000	2021 HK$'000
Current taxation:		
– Hong Kong	**56,685**	544,063
– Other jurisdictions	**70,047**	45,631
	126,732	589,694
Under provision in prior years:		
– Hong Kong	**8,939**	106
Deferred tax:		
– Current year and prior year	**115,351**	(167,481)
	251,022	422,319

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the current and prior years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to "(loss) profit before tax" per the consolidated statement of profit or loss as follows:

	2022 HK$'000	2021 HK$'000
(Loss)/Profit before tax	**(6,289,488)**	723,145
Taxation at income tax rate of 16.5%	**(1,037,766)**	119,319
Under provision in respect of prior years	**8,939**	106
Tax effect of expenses not deductible for tax purpose	**864,631**	96,754
Tax effect of income not taxable for tax purpose	**(367,779)**	(111,668)
Tax effect of utilisation of estimated tax losses previously not recognised	**(4,395)**	(46,491)
Tax effect of estimated tax losses not recognised	**794,976**	351,855
Tax effect of recognition of deferred tax previously not recognised	**(79)**	687
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,505)**	11,757
Income tax expense	**251,022**	422,319

13. Income Tax Expense (continued)

The Group has estimated tax losses of approximately HK$9,793 million as at 31 December 2022 (31 December 2021: HK$5,729 million), out of which HK$9,647 million (31 December 2021: HK$5,579 million) can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. These estimated tax losses have no expiry date but are subject to the approval of tax authorities. The remaining portion of HK$146 million will expire in 2027 to 2038 (31 December 2021: HK$150 million will expire in 2026 to 2037). Meanwhile, tax losses of HK$310 million have been recognised as deferred tax assets as at 31 December 2022 (31 December 2021: HK$1,080 million).

Deferred tax assets of HK$1,601 million (31 December 2021: HK$981 million) have not been recognised in respect of the remaining tax losses as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

14. (Loss)/Earnings Per Share

Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021 (restated)
(Loss)/Earnings		
(Loss)/profit for the year attributable to owners of the Company (HK$'000)	**(6,540,510)**	300,826
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (b))	**6,512,825**	6,486,042
Basic (loss)/earnings per share (HK cents per share)	**(100.43)**	4.64

14. (Loss)/Earnings Per Share (continued)

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.

	2022	2021 (restated)
(Loss)/Earnings		
(Loss)/profit for the year attributable to owners of the Company (HK$'000)	(6,540,510)	300,826
Effect of dilutive potential ordinary shares		
– Interest on convertible bonds (net of tax) (HK$'000) (note (c))	–	–
(Loss)/earnings for the purpose of diluted (loss) earnings per share (HK$'000)	(6,540,510)	300,826
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (b))	6,512,825	6,486,042
Effect of dilutive potential ordinary shares:		
– Convertible bonds (in thousands) (note (c))	–	–
– Share options (in thousands) (note (d))	–	1,808
– Share awards (in thousands) (note (d))	–	6,494
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share (in thousands)	6,512,825	6,494,344
Diluted (loss)/earnings per share (HK cents per share)	(100.43)	4.63

14. (Loss)/Earnings Per Share (continued)

Diluted (loss)/earnings per share (continued)

Notes:

(a) On 23 June 2022, 603,778,508 shares were issued as bonus share on the basis one bonus share for every ten existing shares held by the shareholders of the Company. The effect of the bonus share has been included within the calculation of basic and diluted loss per share for the current year. Basic and diluted earnings per share for the year ended 31 December 2021 have been restated to take into account the effects of the bonus issue.

(b) As at 31 December 2022, the trustee of the share award scheme held 116,982,123 ordinary shares of the Company (31 December 2021: 117,409,723 ordinary shares) for the share award scheme, which was adopted by the Board on 19 December 2014, through purchases in the open market at a total cost, including related transaction costs, of approximately HK$231 million (31 December 2021: HK$270 million).

Details of the share award scheme and the movement of awarded shares of the Company have been disclosed in note 36 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

(c) Convertible bonds issued on 25 October 2016 that were outstanding and convertible into ordinary shares of the Company at a conversion price of HK$5.06 immediate before redemption had been redeemed in full during the year ended 31 December 2021. In the calculation of the diluted earnings per share, the convertible bonds were assumed to have been converted into ordinary shares. The weighted average number of ordinary shares outstanding was increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of outstanding convertible bonds into ordinary shares was made from the date of the first issue with the adjustment if there is any conversion of the convertible bonds into ordinary shares during the year. The net profit was adjusted to eliminate the relevant interest expense less the tax effect. No such adjustment was made for the diluted loss per share for the year ended 31 December 2022.

(d) The computation of diluted loss per share for the year ended 31 December 2022 does not assume the exercise of the Company's outstanding share options and share awards as their assumed exercise would result in a decrease in loss per share. The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options and share awards with the exercise price lower than the average market price during the year ended 31 December 2021 and with the adjustment for the share options lapsed or exercised during the year.

15. Dividends

	2022 HK$'000	2021 HK$'000
Interim dividend paid		
– Nil (2021: HK9 cents) per ordinary share	–	543,401
Proposed second interim dividend		
– Nil (2021: Nil) per ordinary share	–	–
	–	543,401

At a meeting of the Board held on 25 August 2021, the Board declared an interim dividend of HK9 cents per share in cash for the six months ended 30 June 2021 to shareholders whose names appear on the register of members of the Company on 13 September 2021. The interim dividend was paid on 24 September 2021, with an approximate total of HK$543,401,000 cash dividend paid to the shareholders.

At a meeting of the Board held on 28 March 2022, the Board resolved not to declare a second interim dividend for the year ended 31 December 2021. In addition, the Board proposed a bonus issue of shares on the basis of one bonus share for every ten existing shares held by qualifying shareholders whose names appear on the register of members of the Company on 14 June 2022. The proposed bonus share was approved by the shareholders at the annual general meeting of the Company on 2 June 2022 and subsequently the bonus shares were issued on 23 June 2022.

At a meeting of the Board held on 24 August 2022, the Board resolved not to declare an interim dividend for the 6 months ended 30 June 2022.

At a meeting of the Board held on 28 March 2023, the Board resolved not to declare a second interim dividend for the year ended 31 December 2022.

16. Cash Held on Behalf of Customers

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable (note 32) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance ("SFO").

17. Financial Assets/Liabilities Held for Trading and Market Making Activities

	2022 HK$'000	2021 HK$'000
Financial assets held for trading and market making activities – at fair value		
Listed equity investments	20,081	559,957
Exchange traded funds	–	19,642
Listed debt investments	785,669	2,588,564
Unlisted equity investments	85,059	–
Unlisted debt investments	13,046	97,778
	903,855	3,265,941
Financial liabilities held for trading and market making activities – at fair value		
Listed equity investments (note (i))	2	64,644
Listed debt investments (note (i))	125,873	2,321,351
	125,875	2,385,995

Details of disclosure for fair value measurement are set out in note 43.

Note:

(i) Balance represents the fair value of equity and debt securities from short selling activities.

18. Investment Securities

	2022 HK$'000	2021 HK$'000
Investment securities measured at:		
– Fair value through profit or loss	30,352,547	28,093,118
– Fair value through other comprehensive income	805,786	59,053
– Amortised cost (notes (v) and (vi))	3,872,953	7,054,332
	35,031,286	35,206,503
Less: Non-current portion (note (iv))	(10,821,498)	(9,363,316)
Current portion	24,209,788	25,843,187

Details of disclosure for fair value measurements are set out in note 43.

18. Investment Securities (continued)

Investment securities measured at fair value through profit or loss

	2022 HK$'000	2021 HK$'000
Listed equity investments	1,271,744	2,096,922
Exchange traded funds	1,339,952	49,680
Listed debt investments	183,065	–
Unlisted equity investments	8,295	7,845
Unlisted debt investments	366,539	421,078
Unlisted investment funds (notes (ii) and (iii))	12,178,783	9,962,740
Consolidated investment funds (note (i))	15,004,169	15,554,853
	30,352,547	28,093,118
Less: Non-current portion (note (iv))	(9,704,932)	(7,705,205)
Current portion	20,647,615	20,387,913

Investment securities measured at fair value through other comprehensive income

	2022 HK$'000	2021 HK$'000
Listed equity investments	76,642	59,053
Consolidated investment funds (note (i))	729,144	–
	805,786	59,053
Less: Non-current portion (note (iv))	(805,786)	(59,053)
Current portion	–	–

Investment securities measured at amortised cost (notes (v) and (vi))

	2022 HK$'000	2021 HK$'000
Unlisted debt investments	4,297,718	7,062,491
Less: Impairment allowance	(424,765)	(8,159)
	3,872,953	7,054,332
Less: Non-current portion (note (iv))	(310,780)	(1,599,058)
Current portion	3,562,173	5,455,274

18. Investment Securities (continued)

Notes:

(i) Investment securities measured at fair value through profit or loss and investment securities measured at fair value through other comprehensive income include certain investment funds that are consolidated into the consolidated financial statements of the Group (note 26).

As at 31 December 2022 and 31 December 2021, the amount includes the consolidated bond funds, equity funds, private equity funds and limited partnership funds, which mainly invested in listed and unlisted equity investments, listed and unlisted debt investments, unlisted partnership investments and unlisted investment funds. Details of the breakdown of investments held by consolidated investment funds and fair value measurement are set out in "fair value measurements of financial instruments" (note 43) of the consolidated financial statements.

Included in the consolidated investment funds of HK$15,733 million (31 December 2021: HK$15,555 million) is interests held by third-party unit/shareholders of HK$362 million (31 December 2021: HK$975 million). These interests are held by third-party unit/shareholders and the gain or loss arising from these third party interests have no impact to the net assets, net profit and leverage ratio of the Group. Instead, these interests are consolidated as a result of assessment of criteria under note 26 and the accounting policy as detailed in note 3.

(ii) The Group invested in investment funds. These investment funds invest in mainly stocks, bonds and funds, with the primary objectives to provide the investors with capital appreciation, investment income and for selling in the near future for profit.

There is no unfilled capital commitment to these investment funds. The current carrying amount of HK$12,179 million (31 December 2021: HK$9,963 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(iii) The Group held unlisted investment funds amounted to HK$2,197 million as at 31 December 2021 in which the Group held over 30% of the non-participating shares and 50% of the management shares. Management shareholders are empowered to make all the key financing and operating decisions in these funds and require unanimous consent of the parties sharing control. As the principal activity of the subsidiary holding these investments is investment holding, it qualified as "venture capital organisation" as detailed in note 3. The directors of the Company considered that these investment funds shall be measured at fair value through profit or loss instead of applying the equity method.

(iv) As at 31 December 2022 and 31 December 2021, included in the non-current portion of investment securities are listed equity investments, unlisted equity investments, unlisted debt investments, unlisted investment funds and unlisted consolidated investment funds that the directors of the Company expect to realise not within twelve months after each reporting period.

18. Investment Securities (continued)

Notes: (continued)

(v) Included in investment securities measured at amortised cost are HK$4,023 million (31 December 2021: HK$7,062 million) of investment securities that are secured.

Majority of these investment securities measured at amortised cost are secured and/or guaranteed with contractual maturity within 1 year from the reporting date. These investment securities are monitored by the Risk Management Department and the Investment Committee of the Group based on the latest status of these securities, and the latest announced or available information about the issuers and the underlying collateral held.

As at 31 December 2022, there were seven (31 December 2021: four) past due investment securities.

An investment security with the gross carrying amount of HK$62 million (31 December 2021: HK$62 million) with collaterals being properties matured in June 2021. The issuer continues to seek refinancing and/or divestment on the collaterals and other assets to repay the outstanding principal and accrued interest.

As at 31 December 2022, there was a past due investment security with gross carrying amount of HK$997 million (31 December 2021: HK$1,249 million) that relates to a property development project overseas by a Hong Kong listed company and the relevant property development project was pledged to the Group. In assessing the impairment provision, the Group evaluated the fair value of collaterals held. Based on the valuation performed by an independent professional valuer under the market approach with reference to recent transaction prices of lands comparable in the nearby development with the major fair value adjustments on the location, the value is higher than the outstanding gross carrying amount. The investment security matured in November 2021. The directors of the Company considered no provision shall be made against this security as at 31 December 2022 and 31 December 2021.

As at 31 December 2022, there were two past due investment securities with gross carrying amount of HK$1,781 million (31 December 2021: HK$2,565 million) with the same guarantor and the collateral being listed shares of two Hong Kong listed companies. Both investment securities matured in June 2021. During the year ended 31 December 2021, the guarantor provided additional collaterals being a property development project in the United States as a credit enhancement. Based on the valuation performed by an independent professional valuer under the market approach with reference to recent transaction prices of lands comparable in the nearby development with the major fair value adjustments on the location, the value is higher than the outstanding gross carrying amount. The directors of the Company considered no provision shall be made against these investment securities as at 31 December 2021. During the current year, a repayment of the gross carrying amount of HK$784 million of the investment securities was received from the same borrower in cash after the Group acquired an investment property at a cost of HK$2.6 billion. The directors of the Company considered no provision shall be made against the remaining gross carrying amount of these investment securities as at 31 December 2022.

As at 31 December 2022, there was an investment security with a gross and carrying amount of HK$279 million and HK$132 million with collateral being listed equities and maturity date in March 2023. Interest and scheduled partial principal repayment for the investment security are delayed for over 180 days as at 31 December 2022 and thus the investment security is classified as past due during the current year. The directors of the Company considered no provision shall be made against this security as at 31 December 2022. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. An impairment provision of HK$147 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year is appropriate.

As at 31 December 2022, there was a past due investment security with a gross carrying amount of HK$65 million with collateral being real estate properties in China and Canada. The investment security matured as at 31 December 2022, thus classified as past due during the current year. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. The directors of the Company considered no provision shall be made against these securities as at 31 December 2022.

An investment security with the gross carrying amount of HK$200 million (31 December 2021: HK$200 million) with collateral being listed equities matured in June 2022, thus classified as past due during the current year. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. The directors of the Company considered no provision shall be made against these securities as at 31 December 2022.

18. Investment Securities (continued)

Notes: (continued)

(vi) Included in investment securities measured at amortised cost are HK$687 million that held by consolidated investment funds (2021: HK$1,170 million).

19. Assets Acquired for Financial Products Issued/Financial Products Issued at Fair Value

	2022 HK$'000	2021 HK$'000
Assets – acquired for financial products issued		
Listed equity investments, at fair value (note (ii))	1,479,795	1,038,015
Listed debt investments, at fair value (note (ii))	3,587,266	6,586,246
Unlisted equity investments, at fair value (notes (i) & (ii))	148,420	297,346
Unlisted partnership investments, at fair value (notes (i) & (ii))	–	47,190
Unlisted debt investments, at fair value (note (ii))	4,159,909	3,972,539
Unlisted investment funds, at fair value (notes (i) & (ii))	133,004	1,624,813
Unlisted financial products, at fair value (notes (ii) & (iv))	1,056,222	3,987,496
	10,564,616	17,553,645
Less: Non-current portion	(2,422)	(664,783)
Current portion	10,562,194	16,888,862
Liabilities – Financial products issued at fair value		
Listed equity investments, at fair value (note (iii))	673,215	–
Unlisted issued financial products, at fair value (note (iii))	2,209,121	7,769,780
	2,882,336	7,769,780
Less: Non-current portion	(2,450)	(269,532)
Current portion	2,879,886	7,500,248

Details of disclosure for fair value measurements are set out in note 43.

19. Assets Acquired for Financial Products Issued/Financial Products Issued at Fair Value (continued)

Notes:

(i) As at 31 December 2022 and 31 December 2021, included in assets acquired for financial products issued are the unlisted equity investments, unlisted partnership investments and unlisted investment funds.

There is no unfilled capital commitment to these unlisted equity investments, unlisted partnership investments and unlisted investment funds. Their total current carrying amount of HK$281 million (31 December 2021: HK$1,969 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(ii) These financial assets are primarily acquired by the Group driven by the financial products issued at fair value and become their underlying investments and hedging items for the risk of economic exposure on these issued financial products as set out in note (iii) below.

As a result, the overall variable return of these assets and respective liabilities is not significant to the Group.

(iii) As at 31 December 2022 and 31 December 2021, financial products issued at fair value are generally issued in the form of notes or swaps of which pay-outs are linked to the values/returns of certain underlying investments related to listed/unlisted equity investments, listed/unlisted debt investments, unlisted investment funds, unlisted financial products and unlisted partnership investments.

The risk of economic exposure on these financial products is primarily hedged using financial assets as detailed in note (ii) above.

(iv) Unlisted financial products are financial instruments, mostly in the form of total return swap with referencing assets being listed equity instruments, listed debts investments and unlisted debts investments entered by the Group to hedge the financial products issued.

20. Derivative Financial Instruments

	2022 HK$'000	2021 HK$'000
Assets		
Swaps	23	57,302
Forward foreign currency exchange contracts	10,997	19,077
Listed futures/options/warrants	150	27,195
Unlisted options	174,590	2,665
	185,760	106,239
Liabilities		
Swaps	117,373	1,875
Forward foreign currency exchange contracts	43,184	15,984
Listed futures/options/warrants	30	79,918
Callable bull/bear contracts	56	216,577
Unlisted options	26,988	6,014
	187,631	320,368

21. Advances to Customers

	2022 HK$'000	2021 HK$'000
Advances to customers:		
– Margin financing	12,219,979	9,160,201
– Term financing	2,828,144	2,927,596
	15,048,123	12,087,797
Less: Non-current portion	(1,104,108)	(626,016)
Current portion	13,944,015	11,461,781

Margin financing

	2022 HK$'000	2021 HK$'000
Margin financing	13,366,123	9,925,118
Less: Impairment allowance	(1,146,144)	(764,917)
	12,219,979	9,160,201

The financial accommodation provided to margin clients are determined with reference to the discounted market value of the collateral securities accepted by the Group, where the Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call with the margin clients having to make good the shortfall. In granting credit facility, other factors such as financial strength, creditworthiness and the past collection statistics are also considered. The Group's Risk Management Department is responsible to monitor credit risk and seek to maintain a strict control over the outstanding loan balance.

The loans to margin clients are interest bearing and secured by the underlying pledged securities. As at 31 December 2022, margin financing of HK$12,220 million (31 December 2021: HK$9,160 million) were secured by securities pledged by the customers to the Group as collateral with market value of HK$38,898 million (31 December 2021: HK$46,997 million). In determining the allowances for credit impaired loans to margin clients for the current year, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral and the outstanding balance of loan to margin clients, taking into account factors including expected cash flows, executable settlement plans and restructuring arrangements, and other types of credit enhancements in assessing the expected credit loss.

21. Advances to Customers (continued)

Margin financing (continued)

During the current year, additional individual impairment of HK$414 million was made against several independent margin customers with net carrying amount of HK$4,545 million as at 31 December 2022 due to the decrease in the market value of the listed shares pledged to the Group and credit exposure being long overdue as at 31 December 2022.

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

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

Term financing

	2022 **HK$'000**	2021 HK$'000
Term financing	**3,402,650**	3,374,834
Less: Impairment allowance	**(574,506)**	(447,238)
	2,828,144	2,927,596
Less: Non-current portion	**(1,104,108)**	(626,016)
Current portion	**1,724,036**	2,301,580

As at 31 December 2022, the term financing of HK$3,403 million (31 December 2021: HK$3,375 million) are secured.

Collateral held includes equity instruments (listed or unlisted), investment portfolios held by the borrowers, etc. In addition, majority of these advances are also guaranteed by other parties including holding companies or related companies of the borrower, beneficial owner of the borrower, etc. Regular reviews on these term financing are conducted by the Risk Management Department and the Investment Committee of the Group based on the latest status of these term financing and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its term financing in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 31 December 2022, there were six credit-impaired term financing (31 December 2021: four).

21. Advances to Customers (continued)

Term financing (continued)

As at 31 December 2022, there was a past due term financing with a gross and carrying amount of HK$197 million and HK$32 million (31 December 2021: HK$197 million and HK$118 million) respectively that was advanced to an external party for its property development project in the PRC with the due date in July 2021. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower, recoverable amount of the collateral (at its force sale value), the credit protection structure and the status of enforcement proceedings in the PRC. An additional impairment provision of HK$86 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

As at 31 December 2022, there was another past due term financing with a gross amount of EUR37 million (31 December 2021: EUR37 million) (equivalent to approximately HK$310 million (31 December 2021: HK$330 million)) that was advanced to a company listed in PRC and HK for its acquisition in the overseas. The loan matured and the principal and the accrued interest were not repaid as at 31 December 2022 and 31 December 2021. An impairment provision of HK$132 million was made as at 31 December 2021. In assessing the impairment provision as at 31 December 2022, after the management considered there to be a decrease in the fair value of the collateral pledged and the borrower to be subject to enforcement proceedings in the PRC, an additional impairment of HK$178 million was provided, which the loan was fully impaired as at 31 December 2022. In the opinion of the directors, the impairment provision for the current year and prior year are appropriate.

A financing with the gross carrying amount of HK$156 million (31 December 2021: HK$156 million) with collaterals being listed equities and properties matured in October 2020 (and therefore classified as past due) and the borrower is in the process of repayment of principal and accrued interest, but pending for realisation of the borrower's assets (other than those pledged to the Group). In assessing the impairment, the management considered the value of collateral pledged and no impairment was made during the current and prior year.

As at 31 December 2022, there were two term financing with gross and carrying amount of HK$780 million and HK$709 million (31 December 2021: HK$780 million and HK$780 million) respectively with the same borrower and the collateral being unlisted shares. During the year ended 31 December 2022, the borrower was credit impaired in other credit exposures with the Group, and the two term financing were also determined to be credit-impaired due to the event of default of the borrower. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. An impairment provision of HK$71 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year is appropriate.

21. Advances to Customers (continued)

Term financing (continued)

As at 31 December 2022, there was a past due term financing with a gross and carrying amount of HK$20 million and HK$17 million (31 December 2021: HK$20 million and HK$20 million) respectively that was advanced to an external party for its investing activities. The loan was past due and the principal and the accrued interest were not repaid as at 31 December 2022. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower and recoverable amount of the collateral (at its force sale value). An additional impairment provision of HK$3 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

During the current year, the Group completed the acquisition of three real estate properties in Hong Kong from three independent corporates at HK$360 million which were owned by a margin loan customer of the Group with the outstanding balance of HK$168 million. The consideration for the acquisition of these properties was partially settled by the Group by cash of HK$192 million while the remaining consideration was settled with the outstanding margin loan of HK$168 million during the year. A repurchase arrangement was included in these properties acquisitions, in which the sellers were granted with an option to repurchase the three properties by March 2025 at HK$360 million plus a fixed rate of interest from the date of acquisition to the date of repurchase. The transaction was recognised as a term financing considering the Group is subject to a contractual obligation to resell the properties at cost plus fixed rate interest.

As at 31 December 2021, included in the term financing was a financing with gross amount of HK$220 million with collaterals being unlisted shares of entities holding a property development project in the PRC. In assessing the impairment as at 31 December 2021, the management considered a number of factors including independent valuation of the property development projects, creditworthiness and status of the borrower, and the status of enforcement proceedings in the PRC. The outstanding balance was fully impaired as at 31 December 2021. In the opinion of the directors of the Company, after considering the borrower to be in severe difficulty and there to be no realistic prospect of recovery, including the credibility of the borrower and the status of enforcement proceedings, the above-mentioned financing was fully written off in June 2022.

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

22. Cash Collateral on Securities Borrowed and Reverse Repurchase Agreements

	2022 HK$'000	2021 HK$'000
Cash collateral on securities borrowed	**235,104**	53,679
Reverse repurchase agreements	**1,169,288**	4,745,788
	1,404,392	4,799,467
Reverse repurchase agreements		
Analysed by collateral type:		
Equities	**–**	7,570
Bonds	**1,169,327**	4,738,272
	1,169,327	4,745,842
Less: Impairment allowance	**(39)**	(54)
	1,169,288	4,745,788
Analysed by market:		
Inter-bank market	**1,169,288**	4,745,788
Analysed for reporting purposes:		
Current	**1,169,288**	4,745,788

Cash collateral paid under securities borrowing agreements is repayable upon expiry of relevant securities borrowing agreements and the relevant stocks borrowed are returned to the lender. Reverse repurchase agreements are transactions in which the external investors sell a security to the Group and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the 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.

As at 31 December 2022, the fair value of the collateral in respect of reverse repurchase agreements was HK$2,068 million (31 December 2021: HK$7,643 million).

23. Receivable from Clients for Subscription of New Shares in IPO and Accounts Receivable

	2022 HK$'000	2021 HK$'000
Receivable from clients for subscription of new shares in IPO (note (i))	1,080	–
Accounts receivable	4,704,423	8,027,400
	4,705,503	8,027,400
Accounts receivable from:		
– Clients	1,534,335	1,834,709
– Brokers, dealers and clearing houses	3,066,063	6,075,851
– Others (note (ii))	104,025	116,840
	4,704,423	8,027,400

Notes:

(i) Receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules.

(ii) The amount represents the fees receivable from corporate finance, wealth management and asset management business.

Details of impairment assessment for current year are set out in "credit risk and impairment assessment" in note 42.

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

	2022 HK$'000	2021 HK$'000
Between 0 and 3 months	4,584,987	7,998,983
Between 4 and 6 months	96,698	11,884
Between 7 and 12 months	5,276	4,035
Over 1 year	17,462	12,498
	4,704,423	8,027,400

23. Receivable from Clients for Subscription of New Shares in IPO and Accounts Receivable (continued)

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

Normal settlement terms of accounts receivable from wealth management, corporate finance and asset management are determined in accordance with the contract terms, usually within one year after the services provided.

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

24. Prepayments, Deposits and Other Receivables

	2022 **HK$'000**	2021 HK$'000
Prepayments, deposits and other receivables (note)	**1,524,183**	1,795,891
Less: Non-current portion	**(100,574)**	(39,406)
Current portion	**1,423,609**	1,756,485

Note: Included in the amount of prepayments, deposits and other receivables are the interest receivable of HK$786 million (31 December 2021: HK$836 million) from bank deposits, financing to customers and debt securities which are receivable within one year.

During the year ended 31 December 2020, as part of the recovery procedure against a credit exposure in relation to a financing, guarantor of the borrower transferred shares of an unlisted entity incorporated in Canada, with its principal activities being investment property holding and hotel operations, at the consideration of US$20 million as a partial settlement of the relevant exposure.

During the year ended 31 December 2021, management intended to dispose such unlisted shares by way of direct disposal of such shares and/or assets held by such unlisted entity to recover the carrying amount of the unlisted shares held. A letter of intention was entered between a third party purchaser and a subsidiary of the Company in December 2021 in respect of the disposal of part of the assets held by that entity.

Consequently, as at 31 December 2021, the Group's interest in the aforementioned entity was classified as an asset held-for-sale amounted HK$320 million.

During the year ended 31 December 2022, the disposal of asset held-for-sale did not take place due to a delay of the acquisition by the purchaser. Considering the disposal plan to be in progress for over a year, in circumstances that no longer meet the criteria of non-current assets held for sale, the assets were reclassified as at 31 December 2022, including an investment property of HK$75 million and a building of HK$103 million classified as "investment properties" (note 29) and "property and equipment" (note 30) respectively.

25. Interests in Unconsolidated Investments

The Group invested in certain investment funds, partnerships and private equity investments (collectively referred to as the "Investments" for the purpose of notes 4, 25 and 26) with primary objectives for capital appreciation, investment gains and selling in the near future for profit. Pursuant to subscription agreements or equivalent documents, the beneficial interests held by the Group in these Investments are in the form of interests which primarily provide the Group with the share of returns from the Investments but not any decision making power nor any voting right to involve in and control the daily operation.

These Investments are set up and managed by respective investment manager or general partner who has the power and authority to manage and make decisions for the Investments, or through participations in decision making process of the underlying investee companies.

Among those Investments held by the Group where the Group is directly or indirectly involved as investment manager, the Group determines whether the group is an agent to the Investments, the Group would assess:

- the scope of its decision-making authority over the investee;
- substantive removal rights held by other parties may remove the Group as a fund manager; and
- the investment interests held together with its remuneration from servicing and managing these investment funds create significant exposure to variability of returns in these Investments.

In the opinion of the directors of the Company, the variable returns that the Group is exposed to with respect to the Investments are not significant and the Group is primarily acting as an agent and subject to substantive removal rights held by other parties who may remove the Group as an investment manager. Therefore, the Group did not consolidate these Investments.

The Group classified its interests in Investments as investment securities and assets acquired for financial products issued in notes 18 and 19.

26. Interests in Consolidated Investments

The Group had consolidated certain Investments in accordance with the criteria set out in note 25. Especially for those investment funds where the Group is involved as an investment manager and also as an investor, the Group assesses whether (i) the Group is acting as an agent/principal in these Investment; (ii) there are any other external holders in these Investments which have power to remove or control over the party having the ability to direct the relevant activities of the Investments based on the facts and circumstances and (iii) the combination of the remuneration to which the Group is entitled and the Group's exposure to variability of returns from other interest that it holds in the Investments is of such significance that it indicates the Group is a principal.

26. Interests in Consolidated Investments (continued)

Third-party interests in consolidated Investments consist of third-party unit/shareholders' interests in consolidated Investments 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/shareholders' interests in consolidated Investments cannot be predicted with accuracy since these represent the interests of third-party unit/shareholders in consolidated Investments that are subject to the actions of third-party unit/shareholders.

For the year ended 31 December 2022, investment returns of the Group related to interests held by third-party unit/shareholders of gain of HK$275 million (year ended 2021: gain of HK$22 million) in consolidated Investments are included in other income and gains or losses in the consolidated statement of profit or loss and the interests held by third-party unit holders/shareholders amounted to HK$362 million (31 December 2021: HK$975 million) as at 31 December 2022. Such amount is recognised as "liabilities arising from consolidation of investment funds" in the consolidated statement of financial position.

As at 31 December 2020, the Group invested into an investment fund (the "Fund") with underlying investments of listed debt securities which was managed under the "held-to-maturity" strategy in accordance with the incorporation agreement of the Fund. A wholly owned subsidiary of the Company has been appointed as the fund manager of the Fund (the "Fund Manager") since its inception. The units of the Fund are divided into junior and senior tranches. The junior tranche of the Fund ("Junior Fund Units") are designed to provide first loss protection to holders of senior tranches units of the Fund ("Senior Fund Units") and the holders of Junior Fund Units were entitled to receive any residual returns of the Fund after the payment of fixed return to the holders of the Senior Fund Units. Accordingly, the holders of the Senior Fund Units are generally in an economic position equivalent to creditors of the Fund which are with seniority in payment from the Fund while the holders of the Junior Fund Units are in a similar economic position to equity shareholders who have a lower priority of payment and share the residual interest of the Fund. The Fund Manager is entitled to receive a management fee, determined based on a prescribed percentage of the net asset value of the Fund. There is no other return, in the form of performance fee or otherwise, attributable to the Fund Manager.

In the year of 2020, as a result of a significant portion of the Junior Fund Units being held and controlled by the Group which entitled the Group to substantial variable returns of the Fund, the Fund in the carrying amount of HK$15.5 billion was consolidated in the consolidated statement of financial position as at 31 December 2020 based on the assessment of the Group acting as a principal and not an agent with respect to the Fund, with relevant interests in the Fund attributable to third-party unitholders amounting to HK$4,867 million recognised as "liabilities arising from consolidation of investment funds".

Since 2020, the Group has been taking active initiatives to reduce the size of its investment assets and portfolio and to lower the leverage ratios which are part of the major business strategies of the Group (the "Business Strategy").

26. Interests in Consolidated Investments (continued)

In the second half of the year of 2021, the Group disposed of approximately 66% of the Junior Fund Units it held to 6 independent third parties (the "Buyers"), who are the securities brokerage and margin clients and/or other investment business counterparties of the Group, for a total consideration of US$434 million (equivalent to HK$3.38 billion) on a principal-to-principal basis through separate transactions. The directors of the Company considered that the transaction price ranges from US$94-96.6 per Junior Fund Unit were determined by arm's length negotiation between the Group and each of the Buyers with reference to the monthly net asset value per Fund unit quoted by the independent fund administrator for the Fund subscription and redemption purposes.

Contemporaneously, (i) the Group arranged loan finance totaling US$150 million (equivalent to approximately HK$1.17 billion) for two of the Buyers and such loan finance (the "Loans") appears in the consolidated statement of financial position of the Group as investment securities measured at amortised cost; and (ii) the Group provided a credit term of settlement of US$38.3 million (equivalent to approximately HK$298 million) to another Buyer, which appears in the consolidated statement of financial position of the Group as accounts receivable (the above transactions are collectively referred to as "Disposal of Junior Fund Units and Financing").

The management has assessed the background, investment experience, financial capabilities and creditworthiness of the Buyers and the values of the assets and collaterals pledged by the Buyers as part of the transactions. The management determined that the Buyers had the financial capacity and resources to fund the above-mentioned transactions and were bona fide third parties. On such basis the Group concluded that significant risks and rewards associated with the disposed Junior Fund Units were transferred to the Buyers and therefore the Group's exposure to the variable returns of the Fund was significantly reduced leading to deconsolidation of the Fund following a reassessment of the criteria for consolidation.

As at 31 December 2022, the remaining Junior Fund Units held by the Group amounting to US$28.5 million and US$17.0 million (equivalent to approximately HK$222 million and HK$133 million (2021: US$54.0 million and US$61.2 million (equivalent to approximately HK$421 million and HK$478 million)) which are respectively classified as "investment securities measured at fair value through profit or loss" (note 18) and "assets acquired for financial products issued" (note 19).

In the opinion of the directors of the Company, the Disposal of Junior Fund Units is an arm's length transaction made in line with the Company's Business Strategy and is in compliance with the Company's internal policies and procedures.

27. Goodwill and Other Intangible Assets

	2022 HK$'000	2021 HK$'000
Goodwill	**380,099**	380,099
Other intangible assets	**51,209**	71,161
	431,308	451,260

Goodwill

(a) Carrying value/movement

	2022 HK$'000	2021 HK$'000
Cost – As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**380,099**	380,099

Particulars regarding impairment testing on goodwill are disclosed in note (b) below.

(b) Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in note (a) above is acquired through business combinations in prior years as follows:

- A listed company on the Tokyo Stock Exchange in 2015 ("Entity A");
- An India incorporated entity in 2016 ("Entity B");
- A US incorporated entity in 2018 ("Entity C");
- A UK incorporated entity in 2018 ("Entity D");
- Other immaterial acquisition of businesses in 2006 ("Entity E");
- Other immaterial acquisition of business in 2007 ("Entity F"); and
- Other immaterial acquisition of business in 2017 ("Entity G").

27. Goodwill and Other Intangible Assets (continued)

Goodwill (continued)

(b) Impairment testing on goodwill (continued)

The carrying amount of goodwill arising from the business combination of Entity A to G has been allocated to each of the cash generating units ("CGUs") for impairment testing as follows:

	2022 HK$'000	2021 HK$'000
Wealth Management – Entity E	**854**	854
Asset Management – Entity F	**9,000**	9,000
Global Markets		
– Entity A	**147,843**	147,843
– Entity B	**60,763**	60,763
– Entity D	**26,849**	26,849
	235,455	235,455
Corporate Finance – Entity C	**129,265**	129,265
Singapore foreign exchange business – Entity G	**5,525**	5,525
	380,099	380,099

During the years ended 31 December 2022 and 31 December 2021, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts exceed their respective carrying amounts.

The directors of the Company consider the acquisition of Entities E, F and G and the goodwill allocated to the respective CGUs are not material to the consolidated financial statements. The basis of the recoverable amounts of the Global Markets CGU and Corporate Finance CGU that with material amount of goodwill allocated and their major underlying assumptions are summarised below:

(i) Global Markets – Entities A, B and D

Entity A

In 2015, the Group has acquired the entire issued share capital of the entity from independent third parties, which is engaged in providing pan-Asia equity research, analysis and sales advice for the benefit of institutional and investing clients, to enrich and support the business of global markets of the Group. The directors of the Company determined that the global markets segment is expected to benefit from the synergies of the combination. Goodwill acquired through this business combination has been allocated to the CGU of "Global Markets", which is a reportable segment, for impairment testing.

27. Goodwill and Other Intangible Assets (continued)

Goodwill (continued)

(b) Impairment testing on goodwill (continued)

(i) *Global Markets – Entities A, B and D (continued)*

Entity B

In 2016, the Group has acquired the entire issued share capital of the entity from Haitong Bank, which is engaged in institutional equities business and investment banking business, to enrich and support the business of global markets of the Group. The directors of the Company determined that the Global Markets Segment is expected to benefit from the synergies of the combination. Goodwill acquired through this business combination has been allocated to the CGU of "Global Markets", which is a reportable segment, for impairment testing.

Entity D

In 2018, the Group has acquired entire issued share capital of the entity from Haitong Bank, S.A. that the entity was mainly supporting the equity sales, sales, trading and transacting in the fixed income markets of Haitong Bank, S.A. before the acquisition by the Group.

The Group believes that the acquisition will bring synergies to the Group by enriching its equity sales coverage, fixed income sales and trading, products offering, and serving global institutional clients with comprehensive financial products and services under Global Markets segment as its integral component.

The directors of the Company determined that the Global Markets segment is expected to benefit from the synergies of the acquisition of Entities A, B and D. Goodwill acquired through these business combinations has been allocated to the CGU of "Global Markets", which is a reportable segment, for impairment testing.

The recoverable amount of Global Markets segment has been determined based on value in-use calculation using cash flow projections covering a five-year period approved by the management.

The pre-tax discount rate applied to the cash flow projections of Entities A, B and D is 19.5% (2021: 19%) which is determined based on past performance, the management's expectations for the market development and future business plan. The pre-tax discount rate used reflects specific risk relating to Global Markets and taken into account the risk of business uncertainties in foreseeable future. The average growth rate applied to the cash flow projections is around 7.4%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

27. Goodwill and Other Intangible Assets (continued)

Goodwill (continued)

(b) Impairment testing on goodwill (continued)

(ii) Corporate Finance – Entity C

Entity C

In 2018, the Group has acquired entire issued share capital of the entity from Haitong Bank that the entity was mainly supporting the corporate finance and capital market business of Haitong Bank, S.A. before the acquisition by the Group.

The Group believes that the acquisition will bring synergies to the Group by enriching its equity capital markets origination as well as cross-border mergers and acquisitions under Corporate Finance segment as its integral component for better serving global clients with more comprehensive financial servicing network to cover the world's major capital markets. The directors of the Company determined that Corporate Finance segment is expected to benefit from the synergies of the acquisition. Goodwill acquired through this business combinations has been allocated to the CGU of "Corporate Finance", which is a reportable segment, for impairment testing.

The recoverable amount of Entity C has been determined based on value-in-use calculation using cash flow projections covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 19.5% (2021: 19%) which is determined based on past performance, the management's expectations for the market development and future business plan. The pre-tax discount rate used reflects specific risk relating to Entity C and taken into account the risk of business uncertainties in foreseeable future. The average growth rate applied to the cash flow projections is around 6.1%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The management believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of Wealth Management, Asset Management, Global Markets and Corporate Finance and Singapore foreign exchange business to exceed their recoverable amount respectively.

27. Goodwill and Other Intangible Assets (continued)

Other intangible assets

Carrying value/movement

	Trading rights and licenses HK$'000	System and infrastructure HK$'000	Customer relationship HK$'000	Total HK$'000
COST				
At 1 January 2021	11,133	136,144	45,584	192,861
Additions	–	17,175	–	17,175
At 31 December 2021 and 1 January 2022	11,133	153,319	45,584	210,036
Additions	–	14,052	–	14,052
Written off	–	(11,121)	–	(11,121)
At 31 December 2022	11,133	156,250	45,584	212,967
AMORTISATION				
At 1 January 2021	3,522	59,118	30,172	92,812
Charge for the year	–	40,351	5,712	46,063
At 31 December 2021	3,522	99,469	35,884	138,875
Charge for the year	–	28,292	5,712	34,004
Written off	–	(11,121)	–	(11,121)
At 31 December 2022	3,522	116,640	41,596	161,758
CARRYING VALUES				
At 31 December 2022	7,611	39,610	3,988	51,209
At 31 December 2021	7,611	53,850	9,700	71,161

Other than the trading rights and licenses, and system and infrastructure, which have indefinite useful lives and useful life of 3 to 10 years respectively, the intangible asset of customer relationship is amortised over the expected useful life of 15 years.

28. Other Assets

	2022 HK$'000	2021 HK$'000
At cost:		
Deposits with the Stock Exchange:		
– Compensation fund	**350**	650
– Fidelity fund	**1,040**	1,036
– Mainland Securities and Settlement Deposit	**127,936**	80,848
Stamp duty deposits	**500**	500
Contributions to The Central Clearing and Settlement System Guarantee Fund	**75,822**	92,804
Admission fees paid to Hong Kong Securities Clearing Company Limited	**350**	300
Reserve fund with The SEHK Options Clearing House Limited	**3,614**	6,641
Deposits with HKFE Clearing Corporation Limited in contribution to the reserve fund	**2,519**	5,187
Others	**11,695**	11,698
	223,826	199,664

29. Investment Properties

Property interests held by the Group for earning rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the current year, a consolidated investment fund held by the Group acquired an investment property at a cost of HK$2.6 billion from a seller who is in financial difficulty. The consideration for the acquisition of the property was partially settled in cash considerations of HK$1,781 million and the remaining amount of HK$852 million was settled by the assignment of an unlisted debt investment of HK$784 million presented in "investment securities" of note 18 of the consolidated statement of financial position and its accrued interest receivable of HK$68 million. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss.

During the current year, the Group completed the acquisition of an investment property in Hong Kong from a past due margin loan borrower at HK$200 million. The consideration of the acquisition comprises of partial settlement for a past due margin financing of HK$70 million, and the remaining amount of HK$130 million was settled in cash considerations.

During the year ended 31 December 2022, another investment property of HK$75 million was reclassified from an asset held-for-sale to an investment property as disclosed in "prepayments, deposits and other receivables" of note 24 due to delay in the disposal of the asset.

The fair value of these investment properties as at 31 December 2022 was arrived at on the basis of a valuation carried out on that date by an independent qualified professional valuer not connected to the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use. A revaluation gain of HK$500 million was recognised in net loss from investments in note 6 of the consolidated statement of profit or loss.

The fair value of properties, which are all classified as level 3 fair value hierarchy, was determined based on market approach, by comparing recent arms-length sales of similar property interests located in the surrounding area.

	Investment properties HK$'000
FAIR VALUE	
At 1 January 2022	–
Acquired on an acquisition of a subsidiary	2,830,516
Net increase in fair value recognised in profit or loss	500,000
Reclassified from assets held for sale	75,384
At 31 December 2022	3,405,900
Unrealised gain on property revaluation included in profit or loss	500,000

29. Investment Properties (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by the Group	Fair value hierarchy as defined in note 3	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2022				
Residential property units in Hong Kong	Level 3	Direct comparison method based on market observable transactions of the similar location and adjusted to reflect the conditions of the subject properties.	Level adjustment on individual floors of the property	The higher level, the higher the fair value
Residential property in Hong Kong	Level 3	Direct comparison method based on market observable transactions of the similar location and adjusted to reflect the conditions of the subject properties.	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property	The higher market unit rate, the higher the fair value
Commercial property in Canada	Level 3	Discounted cash flow method based on the annual cash flows for the holding period	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property	The higher monthly market rent, the higher the fair value

30. Property and Equipment

	Owned properties HK$'000	Leased properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer hardware and equipment HK$'000	Total HK$'000
31 December 2022						
At 1 January 2022						
Cost	**505,127**	**648,713**	**196,877**	**98,804**	**610,451**	**2,059,972**
Accumulated depreciation	**(50,546)**	**(383,341)**	**(141,923)**	**(75,667)**	**(553,336)**	**(1,204,813)**
Net carrying values	**454,581**	**265,372**	**54,954**	**23,137**	**57,115**	**855,159**
At 1 January 2022, net of accumulated depreciation	**454,581**	**265,372**	**54,954**	**23,137**	**57,115**	**855,159**
Additions (note (ii))	**103,439**	**104,262**	**2,387**	**7,434**	**10,502**	**228,024**
Depreciation	**(17,994)**	**(133,910)**	**(15,069)**	**(6,056)**	**(27,166)**	**(200,195)**
Impairment	**–**	**–**	**(2,163)**	**(482)**	**(4,955)**	**(7,600)**
At 31 December 2022, net of accumulated depreciation	**540,026**	**235,724**	**40,109**	**24,033**	**35,496**	**875,388**
At 31 December 2022						
Cost	**608,566**	**752,975**	**199,264**	**106,238**	**620,953**	**2,287,996**
Accumulated depreciation and impairment	**(68,540)**	**(517,251)**	**(159,155)**	**(82,205)**	**(585,457)**	**(1,412,608)**
Net carrying values	**540,026**	**235,724**	**40,109**	**24,033**	**35,496**	**875,388**
31 December 2021						
At 1 January 2021						
Cost	435,081	528,770	146,113	92,067	576,973	1,779,004
Accumulated depreciation	(32,970)	(221,175)	(116,859)	(69,533)	(526,259)	(966,796)
Net carrying values	402,111	307,595	29,254	22,534	50,714	812,208
At 1 January 2021, net of accumulated depreciation	402,111	307,595	29,254	22,534	50,714	812,208
Transfer from investment property	70,078	–	–	–	–	70,078
Additions	–	121,249	50,804	7,179	33,479	212,711
Disposals/termination	(32)	(1,306)	(40)	(442)	(1)	(1,821)
Depreciation	(17,576)	(162,166)	(25,064)	(6,134)	(27,077)	(238,017)
At 31 December 2021, net of accumulated depreciation	454,581	265,372	54,954	23,137	57,115	855,159
At 31 December 2021						
Cost	505,127	648,713	196,877	98,804	610,451	2,059,972
Accumulated depreciation	(50,546)	(383,341)	(141,923)	(75,667)	(553,336)	(1,204,813)
Net carrying values	454,581	265,372	54,954	23,137	57,115	855,159

30. Property and Equipment (continued)

Notes:

(i) For the year ended 31 December 2022, the total cash outflow for leases amounted to HK$129,192,000 (2021: HK$153,718,000) and depreciation charge amounts.

(ii) During the year ended 31 December 2022, a building of HK$103 million was reclassified from an asset held-for-sale to an owned property as disclosed in "prepayments, deposits and other receivables" of note 24 due to delay in the disposal of the asset.

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 years to 15 years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

31. Cash Collateral on Securities Lent and Repurchase Agreements

	2022 HK$'000	2021 HK$'000
Cash collateral on securities lent	1,933,998	1,083,437
Repurchase agreements	3,925,417	1,993,963
	5,859,415	3,077,400
Repurchase agreements		
Analysed by collateral type:		
Equities	3,372,808	1,070,947
Bonds	552,609	923,016
	3,925,417	1,993,963
Analysed by market:		
Inter-bank market	3,925,417	1,993,963
Analysed for reporting purposes:		
Current	3,925,417	1,993,963

31. Cash Collateral on Securities Lent and Repurchase Agreements (continued)

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

As at 31 December 2022, the Group entered into repurchase agreements with financial institutions to sell equities and bonds recognised as financial assets at FVTPL with carrying amount of HK$4,515 million (31 December 2021: HK$2,610 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

32. Accounts Payable

	2022 **HK$'000**	2021 HK$'000
Accounts payable to:		
– Clients	**9,803,365**	13,410,306
– Brokers, dealers and clearing houses	**530,253**	2,029,906
– Others	**268,014**	284,850
	10,601,632	15,725,062

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

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

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

Except for the accounts payable to clients which bear interest at 0.001% as at 31 December 2022 (31 December 2021: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in segregated accounts with authorised institutions of HK$9,059,437,000 (31 December 2021: HK$12,820,396,000), HKFE Clearing Corporation Limited, the SEHK Options Clearing House Limited and other futures dealers totalling HK$133,327,000 (31 December 2021: HK$226,187,000).

33. Bank Borrowings and Debt Securities in Issue

	2022 HK$'000	2021 HK$'000
DEBT SECURITIES IN ISSUE		
Non-current		
Non-convertible bonds (note (a))	10,884,538	13,983,988
Current		
Non-convertible bonds (note (a))	3,116,062	–
Non-convertible notes (note (b))	3,220,405	6,829,750
Total current debt securities in issue	6,336,467	6,829,750
Total debt securities in issue	17,221,005	20,813,738
BANK BORROWINGS		
Secured borrowing		
– Bank loans (notes (c), (d) and (e))	184,630	78,290
Unsecured borrowing		
– Bank loans (notes (d), (e) and (f))	29,654,013	23,925,963
Total bank borrowings	29,838,643	24,004,253
Total bank borrowings and debt securities in issue	47,059,648	44,817,991

Notes:

(a) On 19 July 2019, the Company issued unsecured and unguaranteed bonds in principal amount of US$700 million at a discount of 99.808% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 3.375% with a maturity period of 5 years. The principal will be fully repayable on the maturity date at 19 July 2024. Please refer to the Company's announcement on 10 July 2019 and 19 July 2019 for details of the bonds.

On 18 November 2019, the Company issued unsecured and unguaranteed bonds in principal amount of US$400 million at a discount of 99.415% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 3.125% with a maturity period of 5.5 years. The principal will be fully repayable on the maturity date at 18 May 2025. Please refer to the Company's announcement on 7 November 2019 and 18 November 2019 for details of the bonds.

On 2 July 2020, the Company issued unsecured and unguaranteed bonds in principal amount of US$400 million at a discount of 99.873% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 2.125% with a maturity period of 3 years. The principal will be fully repayable on the maturity date at 2 July 2023. Please refer to the Company's announcement on 19 June 2021 and 2 July 2021 for details of the bonds.

33. Bank Borrowings and Debt Securities in Issue (continued)

Notes: (continued)

(a) (continued)

On 20 May 2021, the Company issued unsecured and unguaranteed bonds in principal amount of US$300 million at a discount of 99.934% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 2.125% with a maturity period of 5 years. The principal will be fully repayable on the maturity date at 20 May 2026. Please refer to the Company's announcement on 12 May 2021, 20 May 2021 and 21 May 2021 for details of the bonds.

(b) During the year ended 31 December 2022, the Company has issued medium term notes under the Company's Medium Term Note Programme (the "MTN Programme") in principal amount totalling HK$4,749 million with a maturity period of 1 year and repaid several medium term notes of principal amount totalling HK$8,194 million. As at 31 December 2022, the outstanding balances of HK$3,220 million (31 December 2021: HK$6,830 million) represent the unsecured and unguaranteed non-convertible notes.

(c) As at 31 December 2022, bank loans of HK$185 million (31 December 2021: HK$78 million) were secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) of HK$1,979 million (31 December 2021: HK$2,437 million) at fair value held by the Group.

(d) The majority of the Group's bank borrowings bear interest at variable interest rates based on Hong Kong Interbank Offered Rate ("HIBOR").

(e) Bank loans are repayable on demand and within 1 year on repayment schedule.

(f) Bank loans are classified as current liabilities for the purpose of presentation in these consolidated financial statements as the bank loans are drawn under revolving credit facilities (including syndicated loan facilities) with repayment dates being less than 12 months from 31 December 2022, but subject to the roll-over at the discretion of the Group as stipulated in the respective facilities agreements.

Majority of the revolving credit facilities have tenor of more than 12 months from the date of respective facility agreements, in particular the Group has syndicated loan facilities with total amount of HK$12,000 million, and these facilities have tenors of 36 months. In this year, the Group has made an additional HK$6,000 million revolving credit facility agreement which has tenors of 12 months with an extension option before one month of the maturity date.

As at 31 December 2022, HK$15,200 million (31 December 2021: HK$10,800 million) bank loans are drawn under revolving credit facilities and the maturity date is expected to be in March 2023. Therefore, they are classified as current liabilities in these consolidated financial statements.

33. Bank Borrowings and Debt Securities in Issue (continued)

The table below details changes in the Group's bank borrowings and debt securities in issue 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 from financing activities. Interest payments in relation to below liabilities are included in other payables, accruals and other liabilities and presented in operating cash flow.

	Dividend payable HK$'000	Convertible bonds HK$'000	Non-convertible bonds HK$'000	Non-convertible notes HK$'000	Bank loans and other borrowing HK$'000	Total HK$'000
31 December 2022						
At 1 January 2022	**–**	**–**	**13,983,988**	**6,829,750**	**24,004,253**	**44,817,991**
Financing cash flows	**–**	**–**	**–**	**(3,629,730)**	**5,801,313**	**2,171,583**
Foreign exchange translation	**–**	**–**	**(2,506)**	**10,372**	**–**	**7,866**
Other changes	**–**	**–**	**19,118**	**10,013**	**33,077**	**62,208**
At 31 December 2022	**–**	**–**	**14,000,600**	**3,220,405**	**29,838,643**	**47,059,648**
31 December 2021						
At 1 January 2021	–	125,385	11,568,173	6,175,976	38,015,606	55,885,140
Financing cash flows	(1,249,687)	(127,137)	2,319,427	598,819	(14,011,353)	(12,469,931)
Dividend declared	1,249,687	–	–	–	–	1,249,687
Foreign exchange translation	–	–	78,713	36,320	–	115,033
Other changes	–	1,752	17,675	18,635	–	38,062
At 31 December 2021	–	–	13,983,988	6,829,750	24,004,253	44,817,991

34. Other Payables, Accruals and Other Liabilities

	2022 HK$'000	2021 HK$'000
Other payables, accruals and other liabilities (note (iii))	1,126,522	1,679,387
Less: Non-current portion	(169,597)	(188,822)
Current portion	956,925	1,490,565

Notes:

(i) Other payables are non-interest bearing.

(ii) As at 31 December 2022, included in other payables, accruals and other liabilities is lease liabilities of HK$262,678,000 (31 December 2021: HK$287,608,000).

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	93,081	98,786
Within a period of more than one year but not more than two years	62,673	71,232
Within a period of more than two years but not more than five years	34,212	38,273
Within a period of more than five years	72,712	79,317
	262,678	287,608

(iii) Included in other payables, accruals and other liabilities is a liability classified as held-for-sale of HK$117 million as at 31 December 2021 in relation to the Group's interest in unlisted shares of an entity incorporated in Canada. The corresponding interest is classified as an asset held-for-sale as detailed in note 24.

During the year ended 31 December 2022, the disposal of asset held-for-sale did not take place due to a delay of the acquisition by the purchaser. Considering the disposal plan to be in progress for more than a year, in circumstances that no longer meet the criteria of non-current assets held for sale, the assets were reclassified as at 31 December 2022 as disclosed in note 24. A mortgage loan of HK$33 million was also reclassified as "bank borrowings and debt securities in issue" (note 33), and other related liabilities remain in other payables, accruals and other liabilities.

34. Other Payables, Accruals and Other Liabilities (continued)

The table below details changes in the Group's lease 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 statement of cash flows as cash flows from financing activities. Interest payments in relation to lease liabilities are presented in operating cash flow.

	Lease liabilities HK$'000
At 1 January 2021	320,077
Financing cash flow	(153,718)
New leases entered/other changes	121,249
At 31 December 2021 and 1 January 2022	287,608
Financing cash flow	(129,192)
New leases entered/other changes	104,262
At 31 December 2022	262,678

35. Share Capital

	2022 HK$'000	2021 HK$'000
Authorised: 20,000,000,000 (31 December 2021: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid: 6,641,563,594 (31 December 2021: 6,037,785,086) ordinary shares of HK$0.10 each	**664,156**	603,778

The movements in issued share capital were as follows:

	Number of shares in issue	Issued share capital HK$'000
As at 1 January 2021	6,036,035,086	603,603
New shares issued under exercise of share options	1,750,000	175
As at 31 December 2021 and 1 January 2022	6,037,785,086	603,778
New shares issued upon bonus issue (note 14(a))	603,778,508	60,378
As at 31 December 2022	6,641,563,594	664,156

36. Share Option/Award Scheme

2015 Share option scheme

The shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme") on 8 June 2015 (the "Adoption Date"). The 2015 Share Option Scheme was also approved by the shareholders of HSCL, the holding company of Haitong International Holdings Limited, the controlling shareholder of the Company, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-time employee, executive and non-executive (whether independent or not) directors of the Group, who, in the absolute opinion of the Board, have contributed to the Company or the Group.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

The maximum number of shares of the Company (the "Shares") which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of the Company as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of the Company.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of the Company which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). The Company may from time to time seek approval of its shareholders and the approval of the shareholders of HSCL (so long as the Company is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of the Company in respect of which options may be granted by directors of the Company under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of the Company as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the directors) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors of the Company and notified by the directors of the Company to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years, commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between the Company and the Grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 21 July 2021, the Company granted 10,645,000 share options at the exercise price of HK$2.398 per share to its directors and employees under the 2015 Share Option Scheme with a total of 9,845,000 share options being accepted. The exercise period of the share options is from 17 February 2022 to 20 July 2026. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the Company's shares on the date of grant was HK$2.18 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 21 July 2021 is approximately HK$3.6 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2021
Weighted average share price at the date of grant	HK$2.18
Initial exercise price	HK$2.398
Expected volatility	37.533%
Expected option life	5 years
Risk-free rate	0.495%
Expected dividend yield	7.514%
Early exercise multiples	
– directors	1.68
– employees	1.91

Expected volatility was determined using the historical volatility of the Company's share price over the previous 5 years at the grant date.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

On 6 September 2022, the Company granted 10,635,000 share options at the exercise price of HK$0.935 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,570,000 share options being accepted. The exercise period of the share options is from 3 April 2023 to 5 September 2027. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the Company's shares on the date of grant was HK$0.85 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 6 September 2022 is approximately HK$1.3 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2022
Weighted average share price at the date of grant	**HK$0.85**
Initial exercise price	**HK$0.935**
Expected volatility	**38.168%**
Expected option life	**5 years**
Risk-free rate	**3.05%**
Expected dividend yield	**10.481%**
Early exercise multiples	
– directors	**1.68**
– employees	**1.91**

Expected volatility was determined using the historical volatility of the Company's share price over the previous 5 years at the grant date.

For the year ended 31 December 2022, the Group has recognised an equity-settled share-based compensation expense of HK$1,540,000 (2021: HK$2,678,000) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss.

The following table discloses movements of share options granted to the directors and employees of the Group.

	2022		2021	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At beginning of the year	**2.86**	**40,551**	3.369	62,102
Granted and accepted during the year	**0.935**	**10,570**	2.398	9,845
Adjusted during the year (note)	**2.59**	**3,998**	–	–
Exercised during the year	**–**	**–**	1.727	(1,750)
Forfeited during the year	**3.88**	**(9,957)**	3.84	(29,646)
At end of the year	**1.93**	**45,162**	2.86	40,551

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

31 December 2022 Number of options '000	Exercise price HK$ per share (note)	Exercise period
11,599	2.635	28 May 2019 – 31 October 2023
6,439	2.322	27 December 2019 – 30 May 2024
7,419	1.570	25 December 2020 – 28 May 2025
9,295	2.180	17 February 2022 – 20 July 2026
10,410	0.935	3 April 2023 – 5 September 2027
45,162		

31 December 2021 Number of options '000	Exercise price HK$ per share (note)	Exercise period
6,546	5.002	7 June 2018 – 9 November 2022
11,125	2.898	28 May 2019 – 31 October 2023
6,340	2.554	27 December 2019 – 30 May 2024
7,345	1.727	25 December 2020 – 28 May 2025
9,195	2.398	17 February 2022 – 20 July 2026
40,551		

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in the Company's share capital.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

During the years ended 31 December 2022 and 31 December 2021, certain directors of the Company were granted share options for their services to the Group. The fair value of such options was determined on the date of grant and recognised in the consolidated statement of profit or loss as an expense over the vesting period while there was no actual cash payment made to the directors. The amount of amortisation of fair value of share option as recognised in the consolidated statement of profit or loss is as below:

	2022 HK$'000	2021 HK$'000
Executive Directors:		
Lin Yong	98	244
Li Jianguo	30	54
Poon Mo Yiu	59	109
Sun Jianfeng	75	163
Sun Tong	75	163
Non-executive directors:		
Li Jun	14	–
Qu Qiuping	–	–
Cheng Chi Ming, Brian	30	54
Wang Meijuan	–	–
Chan William	–	–
Zhang Xinjun	30	54
Independent non-executive directors:		
Tsui Hing Chuen, William	–	–
Lau Wai Piu	–	–
Wei Kuo-chiang	–	–
Wan Kam To	26	41
Liu Yan	–	–
Liu Swee Long Michael	26	41
Zhang Huaqiao	26	41
Lee Man Yuen Margaret	14	–

As at 31 December 2022, the Company had 45,161,765 (2021: 40,551,041) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.68% (2021: 0.67%) of the Company's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 45,161,765 (2021: 40,551,041) additional ordinary shares of the Company and additional share capital of HK$4,516,000 (2021: HK$4,055,000) and share premium of HK$82,642,000 (2021: HK$111,855,000) (before issue expenses).

36. Share Option/Award Scheme (continued)

Share award scheme

On 19 December 2014, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees or directors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of HK$0.1 each in the capital of the Company will be acquired by the trustee at the cost of the Company and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of the Company as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

No award of the shares shall be granted to any single Selected Participant which would result in the maximum number of awarded shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of the Company as at the Adoption Date.

The Board has delegated the power and authority to the Administration Committee to handle administrative matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the Scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

Pursuant to the Scheme rules, the Administration Committee may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant) select any participant (excluding any excluded participants as defined under the Scheme rules) for participation in the Scheme as a Selected Participant and determine the number of awarded shares, save and except that the selection of a director of the Company as a Selected Participant, the terms and conditions of the award to such director and the number of award shares thereunder shall be approved by the Board upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded shares by the Board or the Administration Committee, as the case may be, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through the Company within the period prescribed in the award notice(s), the Company shall during the award period pay or cause to be paid to the trustee for purchasing the awarded shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and the Company would recognise as treasury shares in the consolidated statement of changes in equity.

36. Share Option/Award Scheme (continued)

Share award scheme (continued)

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded shares will be vested if the Selected Participant is able to meet the relevant service conditions during the relevant period, or lapsed if the Selected Participant is unable to meet the relevant service conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2022 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed (note (g))	Number of awarded shares unvested	Vesting dates	Fair value as at grant date
25 March 2019	6,848,366	5,678,547	1,169,819	–	note (a)	21,024,000
29 October 2019	8,175,000	6,635,000	1,540,000	–	note (b)	18,557,000
25 March 2020	14,294,205	8,092,251	2,908,024	3,293,930	note (c)	28,731,000
25 March 2021	29,000,000	29,000,000	–	–	note (d)	69,890,000
31 August 2021	36,788,082	27,307,411	1,247,600	8,233,071	note (e)	82,773,000
8 September 2022	9,453,454	9,102,015	–	351,439	note (f)	8,413,000

For the shares granted, the fair value of the shares were measured at the market price of the Company's shares. For the year ended 31 December 2022, the Group has recognised an equity-settled share-based compensation expense of HK$39,310,000 (31 December 2021: HK$130,655,000) for the Scheme in consolidated statement of profit or loss.

As at 31 December 2022, the Company did not have any awarded shares granted on 25 March 2019 which were outstanding under the Scheme (2021: 1,620,854 awarded shares). During the current year, there was no awarded shares was lapsed (2021: 433,949 awarded shares) and 1,620,854 (2021: 1,933,971) awarded shares granted on 25 March 2019 were vested respectively.

As at 31 December 2022, the Company did not have any awarded shares granted on 29 October 2019 which were outstanding under the Scheme (2021: 1,635,000 awarded shares). During the current year, there was no awarded shares was lapsed (2021: 740,000 awarded shares) and 1,635,000 (2021: 2,385,000) awarded shares granted on 29 October 2019 were vested respectively.

36. Share Option/Award Scheme (continued)

Share award scheme (continued)

As at 31 December 2022, the Company had 3,293,930 (2021: 7,506,259) awarded shares granted on 25 March 2020 which were outstanding under the Scheme. During the current year, 479,106 (2021: 1,597,936) and 3,733,223 (2021: 4,359,028) awarded shares granted on 25 March 2020 were lapsed and vested respectively.

As at 31 December 2022, the Company had no awarded shares granted on 25 March 2021 which were outstanding under the Scheme.

As at 31 December 2022, the Company had 8,233,071 (2021: 20,799,843) awarded shares granted on 31 August 2022 which were outstanding under the Scheme. During the current year, 1,060,000 (2021: 187,600) and 11,506,772 (2021: 15,800,639) awarded shares granted on 31 August 2022 were lapsed and vested respectively.

As at 31 December 2022, the Company had 351,439 awarded shares granted on 8 September 2022 which were outstanding under the Scheme. During the current year, there was no awarded shares was lapsed and 9,102,015 awarded shares granted on 8 September 2022 were vested respectively.

Notes:

(a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2019 was on 23 March 2020 while the vesting date of another one-third of award shares granted on 25 March 2019 would be on 23 March 2021 and the vesting date for the remaining would be on 23 March 2022.

(b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 29 October 2019 was on 2 January 2020 while the vesting date of another one-third of award shares granted on 29 October 2019 would be on 2 January 2021 and the vesting date for the remaining would be on 2 January 2022.

(c) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2020 was on 24 March 2021 while the vesting date of another one-third of award shares granted on 25 March 2020 would be on 24 March 2022 and the vesting date for the remaining would be on 24 March 2023.

(d) Pursuant to the agreed terms, the vesting date of all the award shares granted on 25 March 2021 was on 30 April 2021.

36. Share Option/Award Scheme (continued)

Share award scheme (continued)

Notes: (continued)

(e) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 31 August 2021 was on 30 September 2021 while the vesting date of another one-third of award shares granted on 31 August 2021 would be on 30 September 2022 and the vesting date for the remaining would be on 30 September 2023.

(f) Pursuant to the agreed terms, the vesting date of 8,641,329 award shares granted on 8 September 2022 was on 30 September 2022 while the vesting date of another 282,114 and 178,572 award shares granted on 8 September 2022 were on 30 November 2022 and 31 December 2022 respectively. The remaining 351,439 award shares would be vested on the agreed schedule during 2023 to 2026.

(g) Awarded Shares would lapse prior to their vesting date as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of changes in equity.

Movements of shares held under the Scheme during the year are as follows:

	2022		2021	
	HK$'000	Number of shares	HK$'000	Number of shares
At 1 January	269,732	117,409,723	389,986	172,705,979
Purchased during the year	17,670	14,662,000	–	–
Shares issued under bonus shares	–	12,508,264	–	–
Vested and transferred out during the year	(56,538)	(27,597,864)	(120,254)	(55,296,256)
At 31 December	230,864	116,982,123	269,732	117,409,723

37. Commitments and Contingencies

(a) Capital commitments

The Group had the following commitments as at year end.

	2022 HK$'000	2021 HK$'000
Contracted, but not provided for:		
Computer equipment	147	8,962
Others	–	319
	147	9,281

(b) Contingent liabilities

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

38. Related Party Transactions

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

(a) On 21 April 2021, the Company renewed the master services agreement with Haitong Securities Co., Limited ("HSCL"), the ultimate holding company for the Company, for a term of 3 years from 1 July 2021 to 30 June 2024. Pursuant to the master service agreement, the Company and HSCL have each agreed to provide services to companies of the Group or HSCL and its subsidiaries. Services covered under the services agreement include broking transactions; investment management and advisory services; business and/or operational support, referral, global research and/or other miscellaneous services transactions; corporate finance advisory and services; fund investment, financial assistance and securities lending transactions; principal-to-principal transactions; and underwriting services.

(i) Income and expenses from brokerage and related services amounted to HK$1,543,000 (2021: HK$7,507,000) and HK$841,000 (2021: HK$1,313,000) respectively for the current year in accordance with terms of the master services agreements.

38. Related Party Transactions (continued)

(a) (continued)

(ii) Income from investment management and advisory services amounted to HK$3,888,000 (2021: HK$7,318,000) for provision of investment management service and investment advisory service to HSCL and its subsidiaries and expenses related to referral fee amounted to HK$121,000 (2021: HK$33,000) was paid to HSCL. The fee is charged in accordance with the relevant investment management agreement or investment advisory agreement or relevant agreement.

(iii) During the year ended 31 December 2019, a subsidiary of the Company has entered into a framework collaboration agreement (the "Agreement") with Haitong Bank, S.A. ("Haitong Bank", a subsidiary of Haitong International Holdings Limited ("HIHL"), the immediate holding company of the Company), pursuant to which Haitong Bank and this subsidiary would provide equity trading service and research service to each other's external clients, depending the domicile of the clients within or outside the European Union. During the current year, income received from Haitong Bank in connection to such services amounted to EUR52,000 (equivalent to HK$433,000) (2021: EUR747,000 (equivalent to HK$6,783,000)) and expenses paid by this subsidiary in connection to such services amounted to EUR359,000 (equivalent to HK$3,037,000) (2021: EUR4,891,000 (equivalent to HK$44,097,000)). The relevant income and expense are based on the terms as set out in the Agreement.

(iv) During the prior years, Haitong Bank provided financial advisory for the Group's financing activities, the Group paid financial advisory fee of US$2.5 million (equivalent to HK$19.40 million) to Haitong Bank where such amount constitutes part of the effective interest expense of the Group under the applicable accounting standard. During the current year, amortisation of the financial advisory fee paid amounted to HK$14,018,000 (2021: HK$19,749,000), which was recognised in the consolidated statement of profit or loss as part of the interest expense.

(v) During the current year, the Group provided underwriting services to subsidiaries of HSCL for their corporate finance activities. The relevant underwriting commission recognised during the current year amounted to HK$1,830,000 (2021: HK$2,109,000). The commission income was recognised in accordance with relevant agreements entered between the Group and subsidiaries of HSCL.

38. Related Party Transactions (continued)

(a) (continued)

(vi) During the year ended 31 December 2022, the Company entered intercompany unsecured loan arrangements (chargeable at HIBOR + 1.25%) with HIHL. As at 31 December 2022, there is no outstanding principal amount of unsecured loan due from HIHL (2021: US$51,408,000 (equivalent to approximately HK$398,518,000) and it was repaid during the current year. Interest income amounted to HK$3,209,000 (2021: US$777,000 (equivalent to HK$6,029,000)) was recognised in the consolidated statement of profit or loss during the current year.

(vii) During the current year, a subsidiary of the Company entered into total return swap contracts with HSCL and a subsidiary of HIHL, with referenced assets being listed equity securities. Under the total return swap contracts entered, a subsidiary of the Group is entitled to receive commission on the trades executed in relation to the purchase of referenced assets. The abovementioned subsidiary is also entitled to receive or obliged to pay an interest based on the notional amount as indicated in the respective swap contacts at HIBOR plus a spread. Income from brokerage and related services amounted to HK$1,098,000 and net trading and investment loss of HK$12,785,000 are recognised in the consolidated statement in relation to these swap contracts.

(b) Compensation of key management personnel of the Group:

	2022 **HK$'000**	2021 HK$'000
Salaries, incentives, bonuses and allowances	**28,542**	64,082
Pension scheme contributions (net)	**1,226**	1,255
Total compensation paid to key management personnel	**29,768**	65,337

Compensation of key management personnel include fees, salaries and allowances, bonuses and pension scheme contribution of directors of the Company (if applicable) and members of the Executive Committee of the Company.

Included salaries, incentives, bonuses and allowances was the performance related bonuses to the certain executive directors, in which these directors were entitled to bonus payment that were determined as a percentage of the profit after tax of the Group. Such bonuses paid to Mr. Lin Yong, Mr. Poon Mo Yiu, Mr. Sun Jianfeng and Mr. Sun Tong attributable to the year ended 31 December 2021 amounted to HK$4,816,000, HK$2,167,000, HK$2,528,000 and HK$2,528,000 respectively.

The total remuneration paid or to be paid to Mr. Lin Yong, Mr. Poon Mo Yiu, Mr. Sun Jianfeng and Mr. Sun Tong attributable to the year ended 31 December 2022 (including those detailed in note 11) amounted to HK$4,538,000, HK$3,301,000, HK$2,604,000 and HK$2,602,000 (2021: HK$9,352,000, HK$5,418,000, HK$5,130,000 and HK$5,130,000) respectively.

39. Statement of Financial Position and Reserves Movement of the Company

(a) Statement of financial position of the Company

	2022			2021		
	Current HK$'000	Non-current HK$'000	Total HK$'000	Current HK$'000	Non-current HK$'000	Total HK$'000
ASSETS						
Assets						
Cash and cash equivalents	135,599	–	135,599	1,067,006	–	1,067,006
Investment securities	1,217,944	–	1,217,944	–	–	–
Tax recoverable	20,664	–	20,664	20,664	–	20,664
Prepayments, deposits and other receivables	148,766	6,898	155,664	242,609	36,656	279,265
Amounts due from subsidiaries	62,129,831	–	62,129,831	49,311,198	15,952,759	65,263,957
Accounts receivable	896,204	–	896,204	851,214	–	851,214
Property and equipment	–	33,459	33,459	–	89,311	89,311
Deferred tax assets	–	3,457	3,457	–	2,586	2,586
Investment in subsidiaries	–	23,152,543	23,152,543	–	23,152,543	23,152,543
Total assets	64,549,008	23,196,357	87,745,365	51,492,691	39,233,855	90,726,546
LIABILITIES AND EQUITY						
Liabilities						
Bank borrowings and debt securities in issue	37,696,089	10,884,538	48,580,627	32,042,408	13,983,988	46,026,396
Tax payable	11,900	–	11,900	10,421	–	10,421
Other payables and accruals and other liabilities	768,914	–	768,914	745,325	17,984	763,309
Amount due to related Company	738	–	738	–	–	–
Amounts due to subsidiaries	8,728,600	–	8,728,600	14,299,516	–	14,299,516
Total liabilities	47,206,241	10,884,538	58,090,779	47,097,670	14,001,972	61,099,642
Equity						
Share capital (note 35)			664,156			603,778
Reserves (note 39(b))			28,990,430			29,023,126
Total equity			29,654,586			29,626,904
Total liabilities and equity			87,745,365			90,726,546
Net current assets			17,342,767			4,395,021

39. Statement of Financial Position and Reserves Movement of the Company (continued)

(b) Reserves movement of the Company

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity.

The amounts of the Company's reserves and its movements are as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Shares held for employee share award scheme HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Convertible bond reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021	19,311,207	50,428	35,431	(389,986)	5,102	2,697	6,411	1,631,399	20,652,689
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	8,781,700	8,781,700
Exchange reserve	–	–	–	–	–	–	–	(3,972)	(3,972)
Recognition of equity-settled share based payment	–	2,678	130,655	–	–	–	–	–	133,333
Vesting of shares for the share award scheme	13,455	–	(133,709)	120,254	–	–	–	–	–
Redemption of convertible bond	–	–	–	–	–	–	(6,411)	6,411	–
Shares issued under share option scheme (notes 35 & 36)	3,377	(530)	–	–	–	–	–	–	2,847
Share awards lapsed	1,346	–	(1,346)	–	–	–	–	–	–
Share options lapsed	29,448	(29,448)	–	–	–	–	–	–	–
2020 second interim dividend declared and settled in cash and scrip	–	–	–	–	–	–	–	(70)	(70)
2021 interim dividend declared and settled in cash (note 15)	–	–	–	–	–	–	–	(543,401)	(543,401)
At 31 December 2021	19,358,833	23,128	31,031	(269,732)	5,102	2,697	–	9,872,067	29,023,126
At 1 January 2022	**19,358,833**	**23,128**	**31,031**	**(269,732)**	**5,102**	**2,697**	**–**	**9,872,067**	**29,023,126**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,744)**	**(11,744)**
Exchange reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,246**	**16,246**
Recognition of equity-settled share based payment	**–**	**1,540**	**39,310**	**–**	**–**	**–**	**–**	**–**	**40,850**
Vesting of shares for the share award scheme	**(6,541)**	**–**	**(49,997)**	**56,538**	**–**	**–**	**–**	**–**	**–**
Purchases of shares held under the share award scheme	**–**	**–**	**–**	**(17,670)**	**–**	**–**	**–**	**–**	**(17,670)**
Shares issued under bonus issue (note 35)	**(60,378)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(60,378)**
Adjustment of bonus issue	**(2,355)**	**2,355**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share awards lapsed	**497**	**–**	**(497)**	**–**	**–**	**–**	**–**	**–**	**–**
Share options lapsed	**10,512**	**(10,512)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**19,300,568**	**16,511**	**19,847**	**(230,864)**	**5,102**	**2,697**	**–**	**9,876,569**	**28,990,430**

39. Statement of Financial Position and Reserves Movement of the Company (continued)

(b) Reserves movement of the Company (continued)

The contributed surplus of the Group arose in 1996 as a result of the group reorganisation in preparation for the listing of the Company and represented the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus provided certain conditions are met.

The share option reserve of the Group comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements.

The consolidated profit and total comprehensive income attributable to equity holders of the Company for the year ended 31 December 2021 includes a profit and total comprehensive income of HK$8,781,700,000 which mainly derived from dividend received from subsidiaries which has been dealt with in the financial statements of the Company.

40. Investment in Subsidiaries

	2022 HK$'000	2021 HK$'000
Unlisted shares, at cost	20,908,222	20,908,222
Deemed contribution	2,244,321	2,244,321
	23,152,543	23,152,543

The deemed contribution represents the imputed interest on non-current interest free loan to subsidiaries calculated with reference to HKAS 39 "Financial Instruments: Recognition and Measurement" in the prior years.

40. Investment in Subsidiaries (continued)

The particulars of principal subsidiaries that are body corporates as at 31 December 2022 are as follows:

Name	Place of incorporation/ registration and operations	Paid-up register capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International (UK) Limited	England and Wales	GBP8,334,563	100 (2021:100)	–	Brokerage, equity research and research sales
Haitong International Asset Management (HK) Limited	Hong Kong	HK$20,000,000	100 (2021:100)	–	Provision of assets management services
Haitong International Asset Management Limited	Hong Kong	HK$13,000,000	100 (2021:100)	–	Provision of assets management services
Haitong International Capital (HK) Limited	Hong Kong	HK$10,000,000	100 (2021:100)	–	Corporate finance
Haitong International Capital Limited	Hong Kong	HK$20,000,000	100 (2021:100)	–	Provision of corporate financial advisory services
Haitong International Futures Limited	Hong Kong	HK$400,000,000	100 (2021:100)	–	Futures and options brokerage and trading
Haitong International Financial Products Limited	Hong Kong	HK$50,000,000	100 (2021:100)	–	Market-making in financial instruments
HTI Financial Solutions Limited	Hong Kong	HK$1,000,000	100 (2021:100)	–	Provision of financial solutions
Haitong International Investment Managers Limited	Hong Kong	HK$47,000,000	100 (2021:100)	–	Provision of asset management services
Haitong International (Japan) K.K.	Japan	Yen10,000,000	100 (2021:100)	–	Asian equity research and corporate finance

40. Investment in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Paid-up register capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International Research Limited	Hong Kong	HK$1,000,000	100 (2021:100)	–	Provision of research services
Haitong International Securities (Australia) Pty Ltd	Australia	AU$1,380,435	100 (2021:100)	–	Brokerage services
Haitong International Securities (USA) Inc.	United States	US$12,654,319	100 (2021:100)	–	Equity research, sales and trading and investment banking
Haitong International Securities (UK) Limited	England and Wales	GBP560	100 (2021:100)	–	Provision of corporate financial advisory services
Haitong International Securities Company Limited	Hong Kong	HK$11,500,000,000	100 (2021:100)	–	Securities brokerage and margin financing
Haitong International Securities Group (Singapore) Pte. Ltd.	Singapore	SG$730,550,721	100 (2021:100)	–	Investment holding
Haitong International Securities Nominees Limited	Hong Kong	HK$2	100 (2021:100)	–	Provision of custodian services
Haitong Securities India Private Limited	India	INR260,732,520	100 (2021:100)	–	Institutional stock broking and investment banking
演天資訊科技(深圳)有限公司 (note)	People's Republic of China	HK$10,000,000	–	100 (2021:100)	Provision of software development services

Note: Entity registered as wholly-foreign-owned enterprises under the law in the PRC.

40. Investment in Subsidiaries (continued)

In addition, the following consolidated investment funds are also subsidiaries for the purpose of Appendix 16 of the Listing Rules. These consolidated investment funds are not body corporates and therefore do not have any paid-up register capital.

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Fountain 4 Limited Partnership Fund	Hong Kong	–	100 (2021: 100)	Private equity funds investment
Golden Leap Limited Partnership Fund	Hong Kong	–	100 (2021: 100)	Private equity funds investment
Blue Sailing II Limited Partnership Fund	Hong Kong	–	100 (2021: 100)	Private equity funds investment

Note:

1. During the year ended 31 December 2021, the Group's holding in the Haitong Select China Offshore Real Estate Bond Fund S.P. (the "Fund"), a fund incorporated in Cayman Islands with principal activity being bond investments decreased and the Fund was deconsolidated as at 31 December 2021.

   Detailed accounting policy on basis of consolidation are set out in note 3 and further details on interest in consolidated and unconsolidated Investments (as defined in note 26 and note 25) are set out in note 26 and note 25.

The table above lists out the subsidiaries (within the definition as defined in Chapter 1 of the Listing Rules) of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

40. Investment in Subsidiaries (continued)

Debt securities issued by subsidiaries

As at 31 December 2022 and 31 December 2021, none of the subsidiaries of the Company issued any debt securities.

Significant restrictions

Cash and cash equivalents held by subsidiaries in the Mainland China are subject to exchange control restrictions. The carrying amount of these restricted assets in the consolidated financial statements at 31 December 2022 was approximately of HK$132 million (31 December 2021: HK$181 million).

41. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise funds in equity capital market or debt capital market. No changes were made in the objectives, policies or processes during the year.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries in Hong Kong engaged in regulated activities as defined under the HKSFO. In addition, certain overseas subsidiaries are also subject to externally purposed capital requirements by overseas regulatory bodies, such as the Monetary Authority of Singapore, the UK Financial Conduct Authority, the United States Financial Industry Regulatory Authority and the Australian Securities and Investments Commission.

During the current year and prior year, all aforementioned subsidiaries complied with all externally imposed capital requirements imposed by respective regulatory bodies.

The Group monitors capital using a leverage ratio, which is calculated by total assets excluding accounts payable to clients and receivable from clients for subscription of new shares in IPO divided by the total shareholders' equity.

41. Capital Management (continued)

The leverage ratios as at the end of the reporting period were as follows:

	2022 HK$'000	2021 HK$'000
Total assets	**89,097,202**	104,991,595
Less: Accounts payable to clients (note 32)	**(9,803,365)**	(13,410,306)
Less: Receivable from clients for subscription of new shares in IPO (note 23)	**(1,080)**	–
	79,292,757	91,581,289
Shareholders' equity	**20,688,808**	27,526,445
Leverage ratio (times)	**3.83**	3.33

42. Financial Risk Management

The Group's major financial instruments include investment securities, advances to customers, financial assets/liabilities held for trading and market making activities, assets acquired for financial products issued, derivative financial instruments, accounts receivable, cash collateral on securities borrowed and reverse repurchase agreements, cash and cash equivalents, cash collateral on securities lent and repurchase agreements, financial products issued at fair value, deposits and other receivables, accounts payable, liabilities arising from consolidation of investment funds, other payables and bank borrowings and debt securities in issue.

The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

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

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

42. Financial Risk Management (continued)

Market risk (continued)

Price risk

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

The Group is exposed to price risk mostly arising from equity investments, fund investments, and derivative financial instruments that are classified as financial assets/liabilities held for trading and market making activities, and investment securities measured at FVTPL. Majority of the Group's equity investments and exchange traded funds are listed on the Stock Exchange and respective overseas stock exchanges, while the unlisted investment funds are traded in the over-the-counter markets.

The Group has established a risk management mechanism led by the Board and the Executive Committee through its 2 sub-committees, the Asset and Liability Management Committee and the Risk Management Committee.

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

Listed equity investments (including exchange traded funds)

The table below summarises the impact of changes in the Hong Kong Hang Seng Index and other relevant indexes on the Group's loss after tax (2021: profit after tax) for the year and on the investments revaluation reserve. The analysis is based on the assumption that the equity index had changed by 10% with all other variables held constant and all the listed equity instruments move according to the historical correlation with the index.

The directors of the Company consider the Group's exposure to price risk arising from the listed equity investments acquired for the issued financial products presented in assets acquired financial products issued can be offset against the Group's exposure to price risk arising from the issued financial products presented in financial products issued at fair value and therefore excluded from the analysis below.

Hong Kong Hang Seng Index and other relevant indexes

	2022	
	Net impact on loss after tax HK$'000	Impact on the investments revaluation reserve in equity HK$'000
Increase by 10%	(322,529)	7,664
Decrease by 10%	322,529	(7,664)

42. Financial Risk Management (continued)

Market risk (continued)

Price risk (continued)

Listed equity investments (including exchange traded funds) (continued)

Hong Kong Hang Seng Index and other relevant indexes (continued)

	2021	
	Net impact on profit after tax HK$'000	Impact on the investments revaluation reserve in equity HK$'000
Increase by 10%	427,042	5,905
Decrease by 10%	(427,042)	(5,905)

Unlisted fund, unlisted equity, partnership investments

The directors of the Company consider the Group's exposure to price risk arising from the unlisted fund, unlisted equity and partnership investments as well as unlisted financial products acquired for the issued financial products presented in assets acquired for financial products issued can be offset against the Group's exposure to price risk arising from the issued financial products presented in financial products issued at fair value.

The fair value of unlisted fund, unlisted equity and partnership investments as well as unlisted financial products depend on the valuation of the respective investments or underlying investments. If the unit price increased/decreased by 5%, loss after tax for the year would be subject to an estimated HK$838,735,000 decrease/increase (2021: profit after tax would be subject to an estimated HK$614,765,000 increase/decrease) and the impact on the investment revaluation reserve would be subject to an estimated HK$36,457,000 increase/decrease (2021: HK$nil increase/decrease).

Derivative financial instruments – held for trading

The fair value of derivative financial instruments held for trading depends on the underlying investment portfolio or linked index. If the fair value of the underlying investment portfolio or linked index increased/decreased by 5%, the fair value of derivative financial instruments held for trading and loss after tax would be subject to an estimated HK$78,000 increase/decrease (2021: profit after tax would be subject to an estimated HK$8,940,000 decrease/increase).

Debt securities measured at fair value

For sensitivity analysis purpose of debt securities, if the prices of debt securities (measured at fair value) had been 2% higher/lower, the loss after tax for the year ended 31 December 2022 would have decreased/increased by approximately HK$109,312,000 (2021: the profit after tax would have increased/decreased by approximately HK$132,248,000).

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

42. Financial Risk Management (continued)

Market risk (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's foreign currency risk arises principally from the Group's transactions and borrowings denominated in currencies other than Hong Kong dollars ("HKD").

The majority of the Group's assets and liabilities are denominated in HKD, British Pound ("GBP"), Singapore dollars ("SGD"), United States dollars ("USD") and Renminbi ("RMB"). The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

At 31 December 2022, if GBP strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$3,054,000 lower/higher (2021: profit after tax would have been HK$1,547,000 lower/higher).

At 31 December 2022, if SGD strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$6,962,000 lower/higher (2021: profit after tax would have been HK$10,203,000 higher/lower).

At 31 December 2022, if RMB strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$120,295,000 lower/higher (2021: profit after tax would have been HK$81,552,000 higher/lower).

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to investments in preference shares, debt securities and unlisted financial products within investment securities measured at FVTPL, and financial assets/liabilities held for trading and market making activities all carried at fixed interest rates. However, the directors of the Company consider the Group's exposure to interest risk arising from the listed and unlisted debt investments acquired for the issued financial products presented in assets acquired for financial products issued can be offset against the Group's exposure to interest risk arising from the issued financial products presented in financial products issued at fair value.

For the year ended 31 December 2022, the total interest income under effective interest method from financial assets that are measured at amortised cost or at FVTOCI amounts to HK$1,787,537,000 (2021: HK$1,741,000,000). For the year ended 31 December 2022, the interest expense on financial liabilities that are measured at amortised cost amounts to HK$1,349,102,000 (2021: HK$1,106,837,000).

42. Financial Risk Management (continued)

Market risk (continued)

Interest rate risk (continued)

Fair value interest rate risk (continued)

The Group's fair value interest rate risk exposure is summarised as follows:

	2022 HK$'000	2021 HK$'000
Financial assets held for trading and market making activities	798,715	2,686,342
Investment securities measured at FVTPL	5,872,810	8,585,608
Assets acquired for financial products issued	–	2,591,650
Financial liabilities held for trading and market making activities	(125,872)	(2,321,351)
Financial products issued at fair value	–	(1,031,556)
	6,545,653	10,510,693

At 31 December 2022, if market interest rates had been 25 basis points (2021: 25 basis points) higher/lower with all other variables held constant, loss after tax for the year would have increased/decreased by HK$13,438,000 (2021: profit after tax would have decreased/increased by HK$120,951,000).

In the opinion of the management, the sensitivity analysis is unrepresentative of the fair value interest rate risk as the year end exposure does not reflect the exposure during the year.

Cash flow interest rate

The Group's cash flow interest rate risk relates primarily to the bank deposits, advances to customers, investment securities measured at amortised cost, debt securities in issue and bank borrowings.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HKD denominated borrowings as its interest-bearing assets and liabilities are mainly HKD denominated.

The Group's exposure to interest rate risk arising from the interest-bearing assets can be offset against the Group's interest-bearing liabilities. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate re-pricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derives net interest income. The directors of the Company considered that there is no concentration of interest rate risk exposure.

42. Financial Risk Management (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow interest rate (continued)

The Group's cash flow interest rate risk exposure arises on positions with the following carrying values:

	2022 HK$'000	2021 HK$'000
Advances to customers – margin financing	**12,219,979**	9,160,201
Advances to customers – term financing	**381,737**	663,967
Investment securities measured at amortised cost	**1,780,540**	1,395,922
Cash held on behalf of customers	**3,457,151**	4,428,751
Cash and cash equivalents	**4,166,858**	7,003,777
Bank borrowings	**(29,465,000)**	(23,770,000)
	(7,458,735)	(1,117,382)

At 31 December 2022, if market interest rates had been 25 basis points (2021: 25 basis points) higher/lower with all other variables held constant, loss after tax for the year would have increased/decreased by HK$15,570,000 (2021: profit after tax would have decreased/increased by HK$2,333,000). In the opinion of the management, the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

Interest rate benchmark reform

Several of the Group's HIBOR/London Interbank Offered Rate ("LIBOR") linked financial assets/liabilities may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates.

LIBOR

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

42. Financial Risk Management (continued)

Market risk (continued)

Interest rate benchmark reform (continued)

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

During the year, the Group had confirmed with the relevant counterparties that HIBOR will continue to maturity for all contracts which are linked to HIBOR.

42. Financial Risk Management (continued)

Market risk (continued)

Interest rate benchmark reform (continued)

(ii) Progress towards implementation of alternative benchmark interest rates (continued)

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2022. The amounts of financial assets and liabilities are shown at their carrying amounts except for financial assets held for trading and market making activities which are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts HK$'000	Transition progress for financial instruments
Non-derivative financial assets			
Financial assets held for trading and market making activities linked to LIBOR	2023	8,292	LIBOR will continue till maturity, the management did not plan to transit to Secured Overnight Financing Rate ("SOFR")
Investment securities measured at amortised cost linked to HIBOR	2023	1,395,922	HIBOR will continue till maturity, the management did not plan to transit to HONIA
Advances to customers linked to HIBOR	2023	1,137	HIBOR will continue till maturity, the management did not plan to transit to HONIA
Advances to customers linked to LIBOR	2025	127,744	Expected to transition by the end of H1 2023
Non-derivative financial liabilities			
Bank borrowings and debt securities in issue linked to HIBOR	2023	29,465,000	HIBOR will continue till maturity, the management did not plan to transit to HONIA
Cash collateral on securities lent and repurchase agreements linked to HIBOR	2023	950,000	HIBOR will continue till maturity, the management did not plan to transit to HONIA

42. Financial Risk Management (continued)

Credit risk and impairment assessment

As at 31 December 2022, 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 arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk exposure are primarily attributable to investment securities measured at amortised cost, financial products issued at fair value, advances to customers, accounts receivable, cash and cash equivalents and cash collateral on securities borrowed and reverse repurchase agreements. The Group's maximum exposure to the credit risk arising from the default of the counterparty equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

In order to manage the credit risk, the Credit Committee of the Group has appointed a group of authorised persons who are charged with the responsibility of approving credit limits of advances to customers and credit risk monitoring of advances to customers. The Investment Committee is responsible for subscription approval and credit risk monitoring of investment securities.

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

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

For advances to customers and investment securities measured at amortised cost, prior to the lending of a loan and subscription of debt securities, the Credit Committee or the Investment Committee will review the financial strength, purpose of the borrowing or issuance, repayment ability of the borrower to ensure that the borrower or issuer has sound financial repayment ability. The Group assesses the credit profile of each individual debtor or issuer by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The Credit Committee and the Investment Committee hold meeting from time to time as the chairpersons consider appropriate and review from time to time the financial conditions of the borrowers, the guarantors or the issuers.

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

For the Group's issued financial products and investments in debt securities, the Investment Committee, the Credit Committee, the Risk Management Department and respective business units of the Group assess the financial performance of the holders and issuers to ensure that the holders and issuers can satisfy the repayment of the principal and interest as they fall due. Failure to repay may result in collateral liquidation and/or legal actions against the holders and issuers.

The Group has set portfolio size and single issuer limits to control the Group's exposure to the credit risk.

The Group also monitors the credit rating and market news of the issuers of respective equity, debts, derivatives and unlisted financial products as well as the holders of unlisted financial products issued by the Group of respective equity, debts and derivatives as well for any indication of potential credit deterioration. For those financial products issued by the Group, management will also maintain a regular communication with the holders and assess the performance of the underlying investments to evaluate if there is any indication of potential credit deterioration.

For other credit exposures such as the derivative financial instruments, accounts and other receivables and cash and cash equivalents, the Group ensures that the exposures are limited to reputable counterparties, such as the financial institutions, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority, the Hong Kong Securities and Futures Commission and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentrations of credit risk.

The management is confident in its ability to continue to control and sustain minimal exposure of credit risk arising from below major recognised financial assets as stated in the consolidated statement of financial position.

- For accounts receivable, approximately HK$1,534,794,000 (2021: HK$1,836,059,000) was receivables from clients arising from dealing in securities, which normally had a delivery-against payment settlement term of 2 days.

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

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

- Loans and debt securities classified as advances to customers and investment securities measured at amortised cost are either secured or guaranteed. Concentration risk of loans and debt securities is managed by reference to individual borrowers and issuers. The aggregate credit exposure in relation to the ten largest outstanding loans borrowers and issuers of debt securities at 31 December 2022 was HK$8,292 million (31 December 2021: HK$8,530 million). There was no recent history of individual impairment allowance recognised for these ten largest parties.

- For stock-pledged repurchase and stock-acquired resale business, management conducts strict due diligence and project review procedures, and control the credit risk relating to the business through marking the market, tracking projects, closing the position and other approaches. The directors of the Company focus on the investment diversification for credit-class fixed income securities investments and closely follow up the operation condition of counterparties and their credit ratings changes. Majorities of the above-mentioned businesses were entered with the counterparties with credit rating of Baa2 or above issued by Moody's or BBB or above issued by Standards & Poor's.

- Majority of cash and cash equivalents are deposited in reputable large commercial banks with credit rating of Baa2 or above issued by Moody's or BBB or above issued by Standards & Poor's.

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

Internal credit rating	Description	Financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past-due amounts (advance to customers in margin financing: no margin call)	12-month ECL
Watch list	The counterparty has past due amounts but the payment has not been past due for 5 days (advance to customers in margin financing: margin call outstanding for less than 3 days)	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payments have been overdue for more than 30 days (advance to customers in margin financing: margin call outstanding between 3 and 10 days)	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 (advance to customers in margin financing: margin call outstanding for over 10 days)	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

42. Financial Risk Management (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	2022 Gross carrying amount		2021 Gross carrying amount	
					HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised cost								
Advances to customers – margin financing	21	N/A	Low risk	12-month ECL	6,441,648		7,308,928	
			Watch list	12-month ECL	1,080,331		765,594	
			Doubtful	Lifetime ECL (not credit-impaired)	174,016		542,594	
			Loss	Credit-impaired	5,670,128	13,366,123	1,308,002	9,925,118
Advances to customers – term financing	21	N/A	Low risk	12-month ECL	1,579,344		2,471,301	
			Watch list	12-month ECL	–		–	
			Doubtful	Lifetime ECL (not credit-impaired)	–		–	
			Loss	Credit-impaired	1,823,306	3,402,650	903,533	3,374,834
Investment securities measured at amortised cost	18	N/A	Low risk	12-month ECL	638,255		3,185,693	
			Watch list	12-month ECL	–		–	
			Doubtful	Lifetime ECL (not credit-impaired)	–		–	
			Loss	Credit-impaired	3,659,463	4,297,718	3,876,798	7,062,491
Cash collateral on securities borrowed and reverse repurchase agreements (note)	22	Above Baa2 (Moody)/BBB (S & P)	N/A	12-month ECL		1,406,652		4,799,592
Cash and cash equivalents (note)		Above Baa2 (Moody)/BBB (S & P)	N/A	12-month ECL		5,002,893		7,106,590
Cash held on behalf of customers (note)	16	Above Baa2 (Moody)/BBB (S & P)	N/A	12-month ECL		9,059,589		12,821,247
Accounts receivable	23	N/A	Low risk	12-month ECL	4,705,158		8,030,650	
			Watch list	12-month ECL	–		–	
			Doubtful	Lifetime ECL (not credit-impaired)	–		–	
			Loss	Credit-impaired	84,479	4,789,637	–	8,030,650
Deposits and other receivables	24	N/A	Low Risk	12-month ECL	1,214,605		1,632,071	
			Watch list	12-month ECL	–		–	
			Doubtful	Lifetime ECL (not credit-impaired)	–		–	
			Loss	Credit-impaired	414,353	1,628,958	–	1,632,071

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

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

The estimated loss rates for each class of financial assets are estimated based on historical observed default rates over the expected life of the respective class of financial assets and are adjusted for forward-looking information that is available without undue cost or effort, including macroeconomic data such as GDP growth, unemployment, benchmark interest rates and house prices. The identification of internal credit rating for individual financial assets is regularly reviewed by management to ensure relevant information about specific financial assets is updated.

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 PD events occurring within the next 12 months is recognised.
Stage 2:	Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.
Stage 3:	Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount from the beginning of the subsequent reporting period.

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

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

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	22,185	13,165	729,567	764,917
Changes due to financial instruments recognised as at 1 January 2022:				
– Net remeasurement of ECL without transfer of stage	(4,934)	–	112,215	107,281
– Repayments (note (iv))	(99)	–	(1)	(100)
– Transfer from/to 12-month ECL to/from lifetime ECL (note (i))	(14,811)	(12,897)	27,708	–
– Net remeasurement of ECL arising from transfer of stage (note (i))	(27)	454	301,331	301,758
– Derecognition (note (v))	–	–	(46,175)	(46,175)
New lending (note (ii))	18,187	275	1	18,463
As at 31 December 2022 (note (iii))	20,501	997	1,124,646	1,146,144

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	29,922	7	1,176,882	1,206,811
Changes due to financial instruments recognised as at 1 January 2021:				
– Net remeasurement of ECL without transfer of stage	(149)	–	496,284	496,135
– Repayments (note (iv))	(151)	–	(5,245)	(5,396)
– Transfer from/to 12-month ECL to/from lifetime ECL (note (i))	(7,916)	8,136	(220)	–
– Net remeasurement of ECL arising from transfer of stage (note (i))	(246)	5,017	66,031	70,802
– Derecognition (note (v))	–	–	(1,004,165)	(1,004,165)
New lending (note (ii))	725	5	–	730
As at 31 December 2021 (note (iii))	22,185	13,165	729,567	764,917

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

Notes:

(i) Financial assets with a gross carrying amount of HK$3,829 million (2021: HK$81 million) were assessed as becoming credit-impaired. Additional impairment allowance of HK$301 million (2021: HK$66 million) was made under lifetime ECL in respect of these assets.

(ii) Impairment allowance of HK$18 million (2021: HK$1 million) made under 12m ECL is in relating to new financial assets with gross amount of HK$4,504 million (2021: HK$1,148 million). During the current year, these advances to customers in margin financing had no significant increase in credit risk since initial recognition and were not assessed to be credit-impaired.

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

(iv) During the current year, loans with gross carrying amounts of HK$830 million (2021: HK$190 million) were repaid (with corresponding reversals of impairment).

(v) During the current year, loans with gross carrying amounts of HK$46 million (2021: HK$1,004 million) were written off.

Movement in the allowances for impairment that has been recognised for investment securities measured at amortised cost are as follows:

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	8,159	–	–	8,159
Change due to financial instruments recognised as at 1 January 2022:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(2,404)	–	2,404	–
– Net remeasurement of ECL arising from transfer of stage (note (iii))	–	–	145,806	145,806
– Net remeasurement of ECL without transfer of stage	73	–	–	73
– Repayments (note (i))	(2,369)	–	–	(2,369)
New lending (note (ii))	532	–	275,000	275,532
Reclassification (note (iv))	(2,436)	–	–	(2,436)
As at 31 December 2022	1,555	–	423,210	424,765

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	25,121	9,512	–	34,633
Change due to financial instruments recognised as at 1 January 2021:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(7,346)	(9,512)	16,858	–
– Net remeasurement of ECL arising from transfer of stage	(7,581)	–	(16,858)	(24,439)
– Net remeasurement of ECL without transfer of stage	(1,353)	–	–	(1,353)
– Repayments (note (i))	(4,782)	–	–	(4,782)
New lending (note (ii))	4,100	–	–	4,100
As at 31 December 2021	8,159	–	–	8,159

Notes:

(i) During the current year, impairment allowance of HK$2 million (2021: HK$5 million) was reversed due to repayment of financial assets with a gross carrying amount of HK$1,259 million (2021: HK$4,038 million).

(ii) Impairment allowance of HK$1 million (2021: HK$4 million) was made under 12m ECL in relation to new financial assets with gross amount of HK$156 million (2021: HK$1,326 million).

During the current year, a new financial asset of a gross carrying amount of HK$275 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year being past due. In assessing impairment, the management considered the financial status of the borrower, in which the investment security was fully impaired as at 31 December 2022.

(iii) During the year, investment securities with the gross carrying amounts of HK$547 million (2021: HK$2,627 million) was transferred from Stage 1 to Stage 3.

As at 31 December 2022, these investment securities are collateralised by listed shares of two listed companies and real estate properties in China and Canada as credit enhancement. In evaluating the impairment provision as at 31 December 2022, the Group evaluated the fair value of collaterals held and based on the valuation performed by an independent third party, the collateral value of one of these investment securities is below the outstanding gross carrying amount and therefore the directors of the Company considered an additional provision of HK$146 million shall be made against this security as at 31 December 2022.

(iv) During the year, investment securities with the gross carrying amounts of HK$780 million was transferred to "advances to customers – term financing".

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

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

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	16,126	–	431,112	447,238
Changes due to financial instruments recognised as at 1 January 2022:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(28)	–	28	–
– Net remeasurement of ECL without transfer of stage	5,879	–	264,804	270,683
– Net remeasurement of ECL arising from transfer of stage (note (iii))	–	–	2,772	2,772
– Repayments (note (i))	(12,621)	–	–	(12,621)
New lending (note (ii))	3,552	–	12,000	15,552
Derecognition (note (iv))	–	–	(220,140)	(220,140)
Reclassification (note (v))	–	–	71,022	71,022
As at 31 December 2022	12,908	–	561,598	574,506

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	7,497	–	236,619	244,116
Changes due to financial instruments recognised as at 1 January 2021:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(584)	–	584	–
– Net remeasurement of ECL without transfer of stage	8,631	–	37,905	46,536
– Net remeasurement of ECL arising from transfer of stage (note (iii))	–	–	219,556	219,556
– Repayments (note (i))	(2,982)	–	–	(2,982)
New lending (note (ii))	3,564	–	–	3,564
Derecognition (note (iv))	–	–	(63,552)	(63,552)
As at 31 December 2021	16,126	–	431,112	447,238

Notes:

(i) During the current year, impairment allowance of HK$13 million (2021: HK$3 million) was reversed due to repayment of financial assets with a gross carrying amount of HK$868 million (2021: HK$1,293 million).

(ii) Impairment allowance of HK$4 million (2021: HK$4 million) made under 12m ECL is in relation to new financial assets with gross amount of HK$478 million (2021: HK$680 million). During the current year, these advances to customers for term financing activities had no significant increase in credit risk since initial recognition and were not assessed to be credit-impaired.

During the current year, a new financial asset of a gross carrying amount of HK$360 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year. Additional impairment allowance of HK$12 million was made under lifetime ECL in respect of these assets.

(iii) Financial assets with a gross carrying amount of HK$20 million (2021: HK$375 million) were assessed as becoming credit-impaired. Accordingly, ECL in stage 1 of HK$28,000 (2021: HK$1 million) was transferred to stage 3 during the current year. Additional impairment allowance of HK$2.8 million (2021: HK$220 million) was made under lifetime ECL in respect of these assets.

(iv) During the year, a loan that was fully impaired with a gross carrying amount of HK$220 million (2021: HK$64 million) was written off.

(v) During the year, financial assets with the gross carrying amounts of HK$780 million was transferred in from "investment securities at amortised cost".

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

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

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	3,250	–	–	3,250
Changes due to financial instruments recognised as at 1 January 2022:				
– Net remeasurement of ECL without transfer of stage	(2,516)	–	–	(2,516)
New financial assets originated (note (i))	–	–	94,552	94,552
Derecognition (note (ii))	–	–	(10,073)	(10,073)
As at 31 December 2022	734	–	84,479	85,213

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	4,491	–	21,859	26,350
Changes due to financial instruments recognised as at 1 January 2021:				
– Net remeasurement of ECL without transfer of stage	(1,241)	–	175	(1,066)
Derecognition (note (ii))	–	–	(22,034)	(22,034)
As at 31 December 2021	3,250	–	–	3,250

Notes:

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

(ii) During the year, financial assets that were fully impaired with gross carrying amounts of HK$10 million (2021: HK$22 million) were written off.

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

Movement in the allowances for impairment that has been recognised for deposits and other receivables are as follows:

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	1,252	–	–	1,252
Changes due to financial instruments recognised as at 1 January 2022:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (i))	(1,252)	–	1,252	–
– Net remeasurement of ECL arising from transfer of stage (note (i))	–	–	66,786	66,786
New financial assets originated (note (ii))	–	–	228,627	228,627
As at 31 December 2022	–	–	296,665	296,665

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	–	–	–	–
New financial assets originated	1,252	–	–	1,252
As at 31 December 2021	1,252	–	–	1,252

Notes:

(i) During the current year, a financial asset with a gross carrying amount of HK$186 million was assessed as credit-impaired. Accordingly, ECL in stage 1 of HK$1 million was transferred to stage 3. Additional impairment allowance of HK$67 million was made under lifetime ECL in respect of the asset.

(ii) During the current year, new financial assets with gross carrying amount of HK$229 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year being past due. In assessing impairment, the management considered the financial status of the debtor, in which the other receivables was fully impaired as at 31 December 2022.

42. Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. As part of the measures to safeguard liquidity, the Group has maintained substantial long term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

A number of the Group's activities in Hong Kong and overseas are subject to various statutory liquidity requirements as prescribed by respective regulators.

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 imposed by respective regulators.

As at 31 December 2022, the Group has available unutilised overdrafts, and short and medium term bank loan facilities of approximately HK$16,399 million (31 December 2021: HK$27,134 million).

The table below presents the cash flows payable by the Group under non-derivative financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows. In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are not prepared based on the contractual settlement dates as the management consider that the settlement dates are not essential for an understanding of the timing of the cash flows of derivatives that are held-for-trading.

42. Financial Risk Management (continued)

Liquidity risk (continued)

Liquidity table

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2022					
Non-convertible bonds issued	125,236	3,342,391	11,418,630	–	14,886,257
Non-convertible notes issued	2,857,737	414,076	–	–	3,271,813
Bank borrowings (note)	30,085,380	–	–	–	30,085,380
Cash collateral on securities lent and repurchase agreements	5,645,868	213,547	–	–	5,859,415
Accounts payable	10,601,632	–	–	–	10,601,632
Financial liabilities held for trading and market making activities	125,875	–	–	–	125,875
Financial products issued at fair value	2,879,886	–	2,450	–	2,882,336
Other payables and accruals	863,844	–	–	–	863,844
Liabilities arising from consolidation of investment funds	361,940	–	–	–	361,940
Derivative financial instruments – net settlement	187,631	–	–	–	187,631
Lease liabilities	27,012	71,271	112,236	86,909	297,428
	53,762,041	4,041,285	11,533,316	86,909	69,423,551

42. Financial Risk Management (continued)

Liquidity risk (continued)

Liquidity table (continued)

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2021					
Non-convertible bonds issued	125,258	272,448	14,889,105	–	15,286,811
Non-convertible notes issued	3,060,848	3,805,477	–	–	6,866,325
Bank borrowings (note)	24,026,979	–	–	–	24,026,979
Cash collateral on securities lent and repurchase agreements	3,077,400	–	–	–	3,077,400
Accounts payable	15,725,062	–	–	–	15,725,062
Financial liabilities held for trading and market making activities	2,385,995	–	–	–	2,385,995
Financial products issued at fair value	7,500,248	–	269,532	–	7,769,780
Other payables and accruals	1,391,779	–	–	–	1,391,779
Liabilities arising from consolidation of investment funds	975,190	–	–	–	975,190
Derivative financial instruments – net settlement	320,368	–	–	–	320,368
Lease liabilities	35,926	72,419	131,869	96,514	336,728
	58,625,053	4,150,344	15,290,506	96,514	78,162,417

Note: Bank loans with a repayment on demand clause are included in the 'repayable on demand or less than 3 months' time band in the maturity analysis. As at 31 December 2022, the aggregate undiscounted principal amounts of these bank loans amounted to HK$14,606 million (31 December 2021: HK$13,204 million). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 3 months after the end of the reporting period (2021: within 3 months). At that time, the aggregate principal and interest cash outflows will amount to HK$14,796 million (31 December 2021: HK$13,213 million).

42. Financial Risk Management (continued)

Stock borrowing and lending arrangement

Under the normal course of business, the Group may enter into stock borrowing and lending arrangements with other financial institutions and its customers. Equity securities may be borrowed from the other financial institutions and lent to its customers or for the Group's proprietary short selling activity.

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

	2022 **HK$'000**	2021 HK$'000
Equity securities borrowed from external financial institutions	**224,028**	45,721
Equity securities lent to counterparties and customers	**1,796,297**	1,031,659
Cash collateral received from counterparties and customers	**1,926,238**	1,083,021
Cash collateral held by financial institutions	**228,725**	47,880

43. Fair Value Measurements of Financial Instruments

Financial assets and financial liabilities that are not measured at fair value

As at 31 December 2022 and 31 December 2021, the fair values of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amount, except as detailed in the following table:

	2022		2021	
	Carrying amount **HK$'000**	**Fair value** **HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Non-convertible bonds (note (ii))	**14,000,600**	**13,188,178**	13,983,988	14,281,306
Non-convertible notes (note (i))	**3,220,405**	**3,209,938**	6,829,750	6,827,502

Notes:

(i) The fair values are based on discounted cash flows. The future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter. The most significant input is the discount rates of the instruments.

(ii) The fair values are based on the quoted prices from the Hong Kong stock exchange and other foreign stock exchange (if applicable).

These assets and liabilities are classified under Level 2 (as defined in note 3 above) in the fair value hierarchy.

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis

Valuation control framework

Fair values are subject to a control framework established by the Risk Management Department and the Finance Department of the Group to ensure that they are determined and/or validated independently from front-line business units acquiring/incurring these financial assets or financial liabilities.

For all financial assets and financial liabilities where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination and/or verification is adopted. In circumstances where direct observation of a traded price is not possible, the Group will seek alternative market information to validate the fair value of relevant financial asset or financial liability, with greater weight given to information that is considered to be more relevant and reliable.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation independently of (i) the logic within valuation models; (ii) the inputs to those models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to independent assessment before being adopted and will re-assess on a regular basis.

Independent determination and/or verification on the fair values adopted and independent assessment on the valuation models are responsible by the Risk Management Department while the Finance Department is responsible for establishing the accounting policies governing valuation, and is responsible for ensuring compliance with relevant accounting standards.

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance

An analysis of the fair value and the valuation techniques of financial assets/liabilities held for trading and market making activities, investment securities measured at fair value (through profit or loss, or through other comprehensive income) and derivative financial instruments are as follows:

Assets – at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial assets held for trading and market making activities				
– Listed equity investments	20,081	–	–	20,081
– Unlisted equity investment	–	–	85,059	85,059
– Listed debt investments	–	293,136	492,533	785,669
– Unlisted debt investments	–	3,898	9,148	13,046
	20,081	297,034	586,740	903,855
Investment securities measured at fair value (through profit or loss and through other comprehensive income)				
– Listed equity investments	1,348,386	–	–	1,348,386
– Listed debt investments	–	183,065	–	183,065
– Exchange traded funds	1,339,952	–	–	1,339,952
– Unlisted equity investments	–	8,295	–	8,295
– Unlisted debt investments	–	197,662	168,877	366,539
– Unlisted investment funds	–	1,851,378	10,327,405	12,178,783
– Consolidated investment funds (Note 4)	1,863,638	3,917,078	9,952,597	15,733,313
	4,551,976	6,157,478	20,448,879	31,158,333
Derivative financial assets				
– Swaps	–	23	–	23
– Forward foreign currency exchange contracts	–	10,997	–	10,997
– Listed futures/options/warrants	150	–	–	150
– Unlisted options	–	174,590	–	174,590
	150	185,610	–	185,760
Total	4,572,207	6,640,122	21,035,619	32,247,948

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Assets – at 31 December 2021

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial assets held for trading and market making activities				
– Listed equity investments	559,957	–	–	559,957
– Exchange traded funds	19,642	–	–	19,642
– Listed debt investments	–	1,686,781	901,783	2,588,564
– Unlisted debt investments	–	80,467	17,311	97,778
	579,599	1,767,248	919,094	3,265,941
Investment securities measured at fair value (through profit or loss and through other comprehensive income)				
– Listed equity investments	2,155,975	–	–	2,155,975
– Exchange traded funds	49,680	–	–	49,680
– Unlisted equity investments	–	7,845	–	7,845
– Unlisted debt investments	–	403,280	17,798	421,078
– Unlisted investment funds	–	9,962,740	–	9,962,740
– Consolidated investment funds (Note 4)	2,636,000	9,168,894	3,749,959	15,554,853
	4,841,655	19,542,759	3,767,757	28,152,171
Derivative financial assets				
– Swaps	–	57,302	–	57,302
– Forward foreign currency exchange contracts	–	19,077	–	19,077
– Listed futures/options/warrants	–	27,195	–	27,195
– Unlisted options	–	2,665	–	2,665
	–	106,239	–	106,239
Total	5,421,254	21,416,246	4,686,851	31,524,351

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Liabilities – at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial liabilities held for trading and market making activities				
– Listed equity investments	2	–	–	2
– Listed debt investments	–	125,873	–	125,873
	2	125,873	–	125,875
Derivative financial liabilities				
– Swaps	–	117,373	–	117,373
– Forward foreign currency exchange contracts	–	43,184	–	43,184
– Listed futures/options/warrants	–	30	–	30
– Callable bull/bear contracts	–	56	–	56
– Unlisted options	–	26,988	–	26,988
	–	187,631	–	187,631
Total	2	313,504	–	313,506

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Liabilities – at 31 December 2021

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial liabilities held for trading and market making activities				
– Listed equity investments	64,644	–	–	64,644
– Listed debt investments	–	2,321,351	–	2,321,351
	64,644	2,321,351	–	2,385,995
Derivative financial liabilities				
– Swaps	–	1,875	–	1,875
– Forward foreign currency exchange contracts	–	15,984	–	15,984
– Listed futures/options/warrants	–	79,918	–	79,918
– Callable bull/bear contracts	–	216,577	–	216,577
– Unlisted options	–	6,014	–	6,014
	–	320,368	–	320,368
Total	64,644	2,641,719	–	2,706,363

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Notes:

(1) The fair values of financial instruments traded in active markets are based on quote prices at the end of reporting period.

(2) The fair values of listed preference shares, listed debt investments and unlisted debt investments are determined with reference to market observable broker/financial institution quotes. The fair values of unlisted equity investments are determined with reference to the recent transaction price of the investments. The fair value of unlisted partnership investments and unlisted investment funds are determined based on the fair value of the underlying investment portfolio, which is comprised of (i) listed equity investments of which their price are quoted in active market and/or (ii) listed/unlisted debt investments of which the fair value are determined based on quoted price provided by brokers/financial institution. The fair value of derivative financial instruments are determined based on discounted cash flow model applying various market observable financial parameters, including interest rates, forward exchange rate, credit spread, yield spread, etc.

If one or more of these significant inputs in valuation are not based on observable market data, the financial instrument is included in Level 3.

(3) The fair values are determined by using valuation techniques with one or more of the significant inputs not based on observable market data. Information on Level 3 fair value measurements are further detailed below.

(4) As at 31 December 2022, the investments held by consolidated investment funds as disclosed in note 18(i) are HK$15.7 billion (2021: HK$15.6 billion), which include (i) listed equity investments of HK$1,864 million (2021: HK$2,636 million) classified as level 1, (ii) listed and unlisted debt investments of HK$1,832 million (2021: HK$7,448 million), unlisted equity of HK$555 million (2021: HK$401 million), unlisted fund investments of HK$426 million (2021: HK$780 million) and unlisted partnership of HK$1,104 million (2021: HK$540 million) collectively classified as level 2, (iii) unlisted equity investments of HK$1,816 million (2021: HK$369 million), unlisted fund investments of HK$905 million (2021: HK$99 million), unlisted partnership of HK$3,740 million (2021: HK$2,565 million) and unlisted debt investments of HK$3,491 million (2021: HK$717 million) collectively classified as level 3, with the total amounts of level 1, 2 and 3 investments being HK$1,864 million, HK$3,917 million and HK$9,952 million (2021: HK$2,636 million, HK$9,169 million and HK$3,750 million) respectively.

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance

Apart from financial assets and financial liabilities as detailed above, the Group allows its customers to get access to various asset classes or markets, including private equity, listed equity in restricted markets and debt or fund investments by issuing structured notes or entering into International Swaps and Derivatives Association, Inc. ("ISDA") master netting agreements or similar agreements with clients to cater to their investment needs and provide tailored financing solution, collectively "client and relevant hedging positions".

The outstanding balance of HK$2,882 million (2021: HK$7,770 million) represented unlisted financial products issued to clients with underlying investments linked to various equity investments, debt investments and fund investments. The Group hedges by acquiring equivalent underlying or entering similar transactions with counterparties. The outstanding balance of the long hedging position is HK$10,565 million (2021: HK$17,554 million).

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance (continued)

The variable return of these groups of financial assets and liabilities on a net basis is not significant. Management is of the view that aggregate market risk of the exposures is insignificant as the carrying value of the issued notes/products makes reference to the valuation of the hedging instruments. As such detailed basis of valuation and methodology may not be relevant.

A detailed analysis of fair value of client and relevant hedging positions as at the end of the reporting periods is as follows:

As at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Assets acquired for financial products issued at fair value				
– Listed equity investments	1,479,795	–	–	1,479,795
– Listed debt investments	–	59,783	3,527,483	3,587,266
– Unlisted equity investments	–	2,458	145,962	148,420
– Unlisted partnership investments	–	–	–	–
– Unlisted debt investments	–	3,790,101	369,808	4,159,909
– Unlisted investment funds	–	–	133,004	133,004
– Unlisted financial products	–	–	1,056,222	1,056,222
	1,479,795	3,852,342	5,232,479	10,564,616
Financial products issued at fair value				
– Unlisted issued financial products	–	1,697,575	511,546	2,209,121
– Listed equity investments	673,215	–	–	673,215
	673,215	1,697,575	511,546	2,882,336
Net position as of 31 December 2022	806,580	2,154,767	4,720,933	7,682,280

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance (continued)

As at 31 December 2021

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Assets acquired for financial products issued at fair value				
– Listed equity investments	1,038,015	–	–	1,038,015
– Listed debt investments	–	2,879,991	3,706,255	6,586,246
– Unlisted equity investments	–	128,725	168,621	297,346
– Unlisted partnership investments	–	47,190	–	47,190
– Unlisted debt investments	–	3,972,539	–	3,972,539
– Unlisted investment funds	–	1,622,324	2,489	1,624,813
– Unlisted financial products	–	3,444,316	543,180	3,987,496
	1,038,015	12,095,085	4,420,545	17,553,645
Financial products issued at fair value				
– Unlisted issued financial products	–	7,224,646	545,134	7,769,780
Net position as of 31 December 2021	1,038,015	4,870,439	3,875,411	9,783,865

Notes:

(1) The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period.

(2) The fair values of financial instruments that are mainly traded in over-the-counter are determined by using market observable broker quotes or valuation techniques with observable market data as key parameter inputs without management judgment.

(3) The fair values are determined by using valuation techniques with one or more of the significant inputs not based on observable market data. Information on Level 3 fair value measurements are further detailed below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

31 December 2022

	Financial assets measured at fair value		Financial liabilities measured at FVTPL
	Financial assets held for trading and market making activities/ investment securities at fair value HK$'000	Assets acquired for financial products issued HK$'000	Financial products issued at fair value HK$'000
Opening balance	4,686,851	4,420,545	(545,134)
Addition (note (i))	3,048,214	–	(96,153)
Transfer into Level 3 (note (ii))	17,187,895	2,363,827	(507,957)
Transfer into Level 2	–	–	–
Disposal	(249,411)	(875,867)	110,013
Total gains (losses) in profit or loss (note (iv))	(3,637,930)	(676,026)	527,685
Closing balance	21,035,619	5,232,479	(511,546)

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

31 December 2021

	Financial assets measured at fair value		Financial liabilities measured at FVTPL
	Financial assets held for trading and market making activities/ investment securities at fair value HK$'000	Assets acquired for financial products issued HK$'000	Financial products issued at fair value HK$'000
Opening balance	2,217,201	3,149,108	(751,924)
Addition (note (i))	1,148,661	77,592	(38,795)
Transfer into Level 3 (note (ii))	775,919	2,517,156	(811,837)
Transfer into Level 2 (note (iii))	(225,232)	(396,464)	396,464
Disposal	(1,379)	(67,113)	–
Total gains (losses) in profit or loss (note (iv))	771,681	(859,734)	660,958
Closing balance	4,686,851	4,420,545	(545,134)

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

Notes:

(i) For the year ended 31 December 2022, addition represents additional capital call to private equity funds of HK$941 million (2021: HK$206 million), purchase of unlisted equity investment amounting to HK$1,923 million (2021: HK$ Nil), subscription of unlisted investment fund of HK$184 million (2021: HK$Nil), and issuance of unlisted financial products of HK$96 million (2021: HK$39 million). For the year ended 31 December 2021, addition also includes purchase of debt investment amounting to HK$1,020 million where the fair value is determined based on significant unobservable inputs in particular the discount rate specific to the issuer of the debt investment.

(ii) For the year ended 31 December 2022, unlisted investment fund amounted to HK$12,399 million, private equity investments amounted to HK$567 million (2021: HK$229 million) and unlisted financial product amounted to HK$1,073 million were transferred from Level 2 to Level 3 category. For the year ended 31 December 2022, unlisted and listed debt investments amounted to HK$5,513 million (2021: HK$3,027 million) were transferred from Level 2 to Level 3 category. The reasons for the transfer is due to the fair value being determined in the past with reference to the recent transaction price or market observable broker/financial institution quotes and therefore classified as Level 2 investments, and as of the reporting dates were based on significant unobservable inputs applied (including the credit assessment of the issuer) in valuing these investments. Financial products issued increased by HK$508 million (2021: HK$812 million) as a result of underlying investments were transferred into Level 3 category.

(iii) For the year ended 31 December 2021, the fair value of an equity investments of HK$70 million was determined with reference to market price were transferred from Level 3 to Level 2 category as the investment was listed during the current year. The listed equity investment is subject to a lock up period and its fair value is determined with reference to the quoted market price of the share with an adjustment to discount the lack of marketability. Another debt investment of HK$155 million where the fair value is determined based on observable broker/financial institutions quotes and therefore transferred from Level 3 to Level 2 categories. During the prior year, the fair value of these investments were determined with reference to unobservable inputs including pricing multiples of market comparable companies used to determine the estimated value.

Regarding assets acquired for financial products issued, the fair value of an equity investment of HK$363 million and partnership investment of HK$33 million was determined with reference to market price were transferred from Level 3 to Level 2 category as the investments were listed during the current year. The listed equity investment is subject to a lock up period and its fair value is determined with reference to the quoted market price of the share with an adjustment to discount the lack of marketability. Similarly, the corresponding financial products issued at fair value with the same underlying were also transferred from Level 3 to Level 2. During the prior year, the fair value of these investments were determined with reference to unobservable inputs including pricing multiples of market comparable companies used to determine the estimated value.

For the year ended 31 December 2021, the fair value of an equity investment of HK$133 million was determined with reference to observable inputs including recent transaction price as the equity investment was disposed subsequently in February 2022. Thus, the investment was transferred from Level 3 to Level 2 category. Another equity investment of HK$29 million was determined with reference to quoted market price with liquidity adjustment and unlisted debt investment of HK$58 million was determined with reference to broker quotes were transferred from Level 3 to Level 2 categories. During the prior year, the fair value of these investments were determined with reference to unobservable inputs including pricing multiples of market comparable companies used to determine the estimated value.

(iv) Of the total gains or losses for the year included in profit or loss, losses of HK$2,428 million (2021: losses of HK$744 million) relates to financial assets held for trading and market making activities, investment securities measured at FVTPL, assets acquired for financial products issued and financial products issued at fair value held at the end of the current reporting period. The fair value gains or losses are included in "Net trading and investment income" line item in the consolidated statement of profit or loss.

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

For financial assets and liabilities with Level 3 fair value measurements, fair value is determined by using valuation techniques such as discounted cash flow models, and generally based on parameters with significant unobservable inputs. The following table presents the related valuation techniques and inputs of the major financial assets (or financial products issued with underlying investments being such financial assets) with Level 3 fair value measurements.

	Fair value as at 31 December 2022 HK$'000	2021 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets other than financial assets relating to financial product issuance					
Debt investments	**4,161,959**	1,653,318	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Unlisted equity investments	**1,900,621**	369,042	Market approach	Pricing multiples of market comparable companies used to determine the estimated equity value of the project company: – Price to sales multiple	The higher the pricing multiples, the higher the fair value
				Discount rate for lack of marketability	The higher the discount rate, the lower the fair value
Unlisted partnerships investments/Unlisted investment funds	**14,973,039**	2,664,491	Net asset value of the underlying unlisted investments which are the deemed resale price of investments provided by the external counterparties	Net assets value	The higher the net assets value, the higher the fair value
	21,035,619	4,686,851			

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

	Fair value as at 31 December 2022 HK$'000	2021 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets and financial liabilities relating to product issuance					
Asset acquired for financial products issued					
Debt investments/unlisted financial products	**4,953,513**	4,249,435	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Unlisted equity investments	**145,962**	168,621	Net asset value of the unlisted equity investments which are the deemed resale price of investments provided by the external counterparties	Net asset value	The higher the net assets value, the higher the fair value
Unlisted partnerships investments/Unlisted investment fund	**133,004**	2,489	Net asset value of the underlying unlisted investments which are the deemed resale price of investments provided by the external counterparties	Net asset value	The higher the net assets value, the higher the fair value
	5,232,479	4,420,545			
Financial products issued at fair value					
Unlisted financial products	**511,546**	545,134	The return of the financial products issued is linked to equity investments, debt investments, or partnership investment, which are valued with directly reference to its hedging assets	Net asset value of its hedging assets	The higher the net assets value, the higher the fair value

44. Financial Assets and Financial Liabilities Offsetting

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

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

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited ("CSDC") and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC, CSDC and brokers on the same settlement date and the Group intends to set off 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 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 is being offset, amounts due from/to HKSCC, CSDC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposits placed with HKSCC, CSDC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

44. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2022

	Gross amounts of recognised financial assets (liabilities) after impairment HK$'000	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial (liabilities) assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Collateral received/ pledged HK$'000	
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing houses	7,297,519	(2,593,096)	4,704,423	(478,285)	(979,308)	3,246,830
Deposits placed with clearing houses	223,826	–	223,826	–	–	223,826
Advances to customers – margin financing	12,460,738	(240,759)	12,219,979	(83,376)	(12,136,603)	–
Cash collateral on securities borrowed and reverse repurchase agreements	1,404,392	–	1,404,392	(112,620)	(1,291,772)	–
Financial liabilities						
Accounts payable to clients, brokers, dealers and clearing houses	(13,435,487)	2,833,855	(10,601,632)	561,661	–	(10,039,971)
Financial liabilities held for trading and market making activities	(125,875)	–	(125,875)	–	–	(125,875)
Cash collateral on securities lent and repurchase agreements	(5,859,415)	–	(5,859,415)	112,620	5,746,795	–

44. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2021

	Gross amounts of recognised financial assets (liabilities) after impairment HK$'000	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial (liabilities) assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received/ pledged HK$'000	Net amount HK$'000
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing houses	12,424,901	(4,397,501)	8,027,400	(165,205)	(1,708,520)	6,153,675
Deposits placed with clearing houses	199,664	–	199,664	–	–	199,664
Advances to customers – margin financing	9,160,201	–	9,160,201	(159,685)	(8,230,685)	769,831
Cash collateral on securities borrowed and reverse repurchase agreements	4,799,467	–	4,799,467	(404,476)	(4,394,991)	–
Financial liabilities						
Accounts payable to clients, brokers, dealers and clearing houses	(20,122,563)	4,397,501	(15,725,062)	324,891	–	(15,400,171)
Financial liabilities held for trading and market making activities	(2,385,995)	–	(2,385,995)	–	2,385,995	–
Cash collateral on securities lent and repurchase agreements	(3,077,400)	–	(3,077,400)	404,476	2,672,924	–

45. Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where the transfers qualify for derecognition, the transfer may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group retained substantially all the risks and rewards of the financial assets concerned after the transfer, the Group continued to recognise the transferred assets.

Financial assets sold under repurchase agreement

Transferred financial assets that do not qualify for derecognition include bonds and preference shares held by counterparties as collateral under repurchase agreements, and the Group has determined that if the Group retains substantially all the risks and rewards of these bonds and preference shares and therefore has not derecognised them.

Details of carrying amount and fair value of transferred assets, and the assessment performed by the Group in respect of whether bonds and preference shares sold under repurchase agreements shall be derecognised are disclosed in note 31 to the consolidated financial statements.

46. Subsequent Events

On 17 March 2023, the Company (as issuer), Haitong International Securities Company Limited (as placing agent) and an investee entity of Haitong Securities Co., Ltd. and Haitong International Holdings Limited (as investors) entered into a placing agency and subscription agreement in connection with the subordinated perpetual securities in the aggregate principal amount of US$200,000,000.

Five Years Financial Summary

	31/12/2022 HK$'000	31/12/2021 HK$'000	31/12/2020 HK$'000	31/12/2019 HK$'000	31/12/2018 HK$'000
RESULTS					
REVENUE	**(1,390,454)**	5,252,184	8,329,747	8,243,974	6,328,782
OPERATING (LOSS)/PROFIT	**(6,289,488)**	723,145	2,300,592	1,850,629	1,406,453
Share of loss of investments accounted for using the equity method	**–**	–	–	–	(226,869)
(LOSS)/PROFIT BEFORE TAX	**(6,289,488)**	723,145	2,300,592	1,850,629	1,179,584
Income tax expense	**(251,022)**	(422,319)	(367,715)	(299,771)	(156,746)
(LOSS)/PROFIT FOR THE YEAR	**(6,540,510)**	300,826	1,932,877	1,550,858	1,022,838
ASSETS AND LIABILITIES:					
TOTAL ASSETS	**89,097,202**	104,991,595	146,442,516	156,274,502	151,181,085
TOTAL LIABILITIES	**(68,408,394)**	(77,465,150)	(118,125,347)	(129,243,921)	(125,370,748)
SHAREHOLDERS' FUNDS	**20,688,808**	27,526,445	28,317,169	27,030,581	25,810,337

Corporate Information

General Information

Board of Directors

Executive Directors

LIN Yong	*Deputy Chairman and Chief Executive Officer*
LI Jianguo	*Deputy Chairman*
POON Mo Yiu	
SUN Jianfeng	
SUN Tong	

Non-executive Directors

LI Jun	*Chairman*
CHENG Chi Ming Brian	
ZHANG Xinjun	

Independent Non-executive Directors

WAN Kam To
LIU Swee Long Michael
ZHANG Huaqiao
LEE Man Yuen Margaret

Company Secretary

CHOU Chuk Nam

External Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Legal Adviser in Hong Kong

Woo, Kwan, Lee & Lo

Legal Adviser on Bermuda Law

Conyers Dill & Pearman

Place of Incorporation

Bermuda

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

22nd Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

www.htisec.com

Organisation Structure

海通國際
HAITONG

Haitong International Securities Group Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central, Hong Kong