中薇金融
CHINA VÊRED FINANCIAL

China Vered Financial Holding Corporation Limited

中薇金融控股有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 245

ANNUAL REPORT 2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Feng *(Chief Executive Officer)*
Xie Fang *(Chief Risk Officer)*
(Appointed as Executive Director on 22 March 2024)
Du Lina
(Appointed as Executive Director on 29 August 2023, appointed as Acting Chairperson on 22 February 2024, appointed as Chairperson 22 March 2024 and resigned as Chairperson and Executive Director on 8 April 2024)
Lin Le (Appointed as Chairperson and Executive Director on 29 August 2023 and resigned as Chairperson and Executive Director on 21 March 2024)
Tan Zhenyu (Resigned as Chairman and Executive Director on 29 August 2023)
Ni Xinguang (Retired on 16 June 2023)

Non-executive Director

Ng Kian Guan *(Chairman)* (Appointed as Chairman and Non-executive Director on 8 April 2024)
Huang Yan (Appointed on 19 April 2024)
Zhang Boyang (Resigned on 8 April 2024)

Independent Non-executive Directors

Cheng Tai Sheung (Appointed on 8 March 2024)
Ko Ming Tung, Edward
(Appointed on 22 March 2024)
Sun Junchen (Appointed on 22 March 2024)
Wong Ka Wai (Appointed on 22 March 2024)
Zhou Hui (Resigned on 22 March 2024)
Dong Hao (Resigned on 13 March 2024)
Wen Yuanhua (Resigned on 13 March 2024)
Jin Mingming (Appointed on 8 March 2024 and resigned on 13 March 2024)

AUDIT COMMITTEE

Wong Ka Wai *(Chairman)* (Appointed as Chairman and member on 22 March 2024)
Cheng Tai Sheung (Appointed on 8 March 2024)
Ko Ming Tung, Edward (Appointed on 22 March 2024)
Sun Junchen (Appointed on 22 March 2024)
Zhou Hui (Resigned as Chairperson and member on 22 March 2024
Dong Hao (Resigned on 13 March 2024)
Wen Yuanhua (Resigned on 13 March 2024)
Jin Mingming (Appointed on 8 March 2024 and resigned on 13 March 2024)

NOMINATION COMMITTEE

Ng Kian Guan *(Chairman)* (Appointed as Chairman and member on 8 April 2024)
Cheng Tai Sheung (Appointed on 8 March 2024)
Ko Ming Tung, Edward (Appointed on 22 March 2024)
Sun Junchen (Appointed on 22 March 2024)
Wong Ka Wai (Appointed on 22 March 2024)
Du Lina (Appointed as Acting Chairperson and member on 22 February 2024, appointed as Chairperson on 22 March 2024 and resigned as Chairperson and member on 8 April 2024)
Zhou Hui (Resigned on 22 March 2024)
Lin Le (Appointed as Chairperson and member on 29 August 2023 and resigned as Chairperson and member on 21 March 2024)
Dong Hao (Resigned on 13 March 2024)
Wen Yuanhua (Resigned on 13 March 2024)
Jin Mingming (Appointed on 8 March 2024 and resigned on 13 March 2024)
Tan Zhenyu (Resigned as Chairman and member on 29 August 2023)

REMUNERATION COMMITTEE

Cheng Tai Sheung *(Chairman)*
(Appointed as member on 8 March 2024 and appointed as Chairman on 22 March 2024)
Ko Ming Tung, Edward (Appointed on 22 March 2024)
Sun Junchen (Appointed on 22 March 2024)
Wong Ka Wai (Appointed on 22 March 2024)
Zhou Hui (Resigned on 22 March 2024)
Wen Yuanhua (Resigned as Chairman and member on 13 March 2024)
Dong Hao (Resigned on 13 March 2024)
Jin Mingming (Appointed on 8 March 2024 and resigned on 13 March 2024)

COMPANY SECRETARY

Wong Wai Yee Ella

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
China Merchants Bank, Hong Kong Branch
China Minsheng Bank, Hong Kong Branch
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Industrial Bank Co., Ltd., Hong Kong Branch

SOLICITORS

Hong Kong Law
Herbert Smith Freehills

INDEPENDENT AUDITOR

Mazars CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

22/F, China Taiping Tower
8 Sunning Road
Causeway Bay
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

245 HK

WEBSITE

www.chinavered.com

CHAIRPERSON'S STATEMENT

Ms. Du Lina
Chairperson

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of China Vered Financial Holding Corporation Limited (the "Company", together with its subsidiaries, the "Group"), I hereby present the annual report of the Group for the financial year ended 31 December 2023.

Looking back over the past year, the global economic landscape remains intricate and volatile. Globally, the growth momentum of the economy remains modest owing to a blend of intertwining factors including geopolitical risks, inflationary pressures, and supply chain tensions. Meanwhile, the adjustments to the monetary policies of major economies have also had a considerable impact to the global financial market. Undeterred by the complicated and severe environment both domestically and internationally, China's economy has displayed a bullish dynamic, driven by a solid pursuit of high-quality development, a sustainable build-up of the industrial upgrading, the safeguard of food and energy security and the maintenance of social stability. As an international financial center, Hong Kong has demonstrated tremendous resilience and vitality despite facing some challenges. As a gateway interconnecting the Chinese and Western regimes, Hong Kong has taken proactive steps to tie in with the prevailing national financial opening-up policy and development framework by riding on its profound capital strength and innovation capabilities, and remains committed to providing global investors with a good business environment and diversified investment opportunities.

Facing the complex and challenging internal and external environment, the Group has, on the one hand, maintained prudence and temperance after the its resumption of trading on 29 May 2023, while continuing to optimize internal management, strengthen risk prevention and control and compliance operations, improve corporate governance structure, streamline business processes, and reinforce talent management. On the other hand, in response to market changes, it has made solid and robust efforts in launching private credit, special opportunity investment and cross-border wealth management businesses, with a view to exploring new business model and reshaping the traditional landscape of traditional financial license and investment business to meet the increasingly diversified and differentiated, quality-driven demand of our client, create new drivers of business growth and create more value for our shareholders during a steady course of development.

In terms of financial performance, in face of both internal and external pressures, the Board of Directors and management of the Company have made every effort to address various challenges to ensure the stability of its financial and operating conditions. The Group's total revenue (including net gain/(loss) on financial assets/liabilities) for the year was approximately HK$196,195,000 (2022: negative amount of HK$203,522,000). The net impairment provision for loans, investments and other trade receivables decreased to approximately HK$49,389,000 (2022: HK$174,675,000), narrowing the Group's net loss for the year to approximately HK$23,561,000 (2022: HK$622,808,000). The basic loss per share was HK0.08 cents (2022: HK1.89 cents).

Looking forward to 2024, with the gradual recovery of the global economy and the sustained and steady growth of China's economy, the Company believes that the financial industry will usher in more development opportunities. The Group will remain steadfast in its primary commitment to make progress in steady steps and promote high-quality development of the Company's various businesses. It will take further steps to strengthen market research, seize investment opportunities, and optimize asset allocation to enhance the Company's profitability and market competitiveness; and continue to deepen internal management reform, improve operational efficiency and service standards, and provide customers with more high-quality and efficient cross-border financial services. The Group will also uphold the ideals of openness, cooperation and win-win, strengthen in-depth cooperation with market-leading institutions, take the initiative to assume social responsibilities, and set its sight on environmental protection and public welfare undertakings, in hope of giving back to society through real and practical actions.

The Group and the Board of Directors of the Company are well aware that the Company cannot achieve its stability and robust development without the trust and support of the investors. As such, the Group and the Board of Directors of the Company will remain committed to safeguarding the Group's market position and brand image. Through our own efforts as well as the concerted efforts and professional capabilities of third-party organizations, we will hold resolutely to our strategic focus and optimize corporate governance in order to pave a solid foundation for the Company's long-term stable development.

We, the Group and the Board of Directors of the Company, hereby express our sincere appreciation to the investors for their continued attention and support to the Company. The Group will maintain active communication with investors and respond promptly to address the concerns and questions of all stakeholders to bolster market confidence in the Company through real and practical actions. The Board of Directors of the Group believes that with the joint efforts of all the stakeholders of the Group, the Company will definitely be able to usher in a better tomorrow!

Du Lina
Chairperson

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Over the past year, the global economic landscape has undergone profound adjustments. Central banks in many countries have successively launched interest rate hike cycles, resulting in large differences between the actual performance and expectations of different economies. In the wake of multiple interest rate hikes in the United States, inflationary pressures have subsided, the job market has steadily improved, and investment in the manufacturing and construction industries has grown rapidly, with the U.S. stock market performing spectacularly well. The S&P Index rose 24% throughout the year, and the Nasdaq Composite index far exceeded market expectations by soaring 43%. Meanwhile, Japan has emerged from the predicament of "low inflation", with strong export momentum and pronounced signs of economic recovery. The Nikkei Index has witnessed the highest growth in the past decade with an annual increase of nearly 30%. By contrast, the recovery in the euro area appears to proceed at a slower pace with a dampened external demand and weak exports and investment momentum. Despite the implementation of monetary tightening policies, their inhibitory effect on inflation is less than obvious, with the risk of economic recession looming large.

As far as China's economy is concerned, according to the latest data from the National Bureau of Statistics, China's economy displayed a bullish dynamic in 2023, driven by a steady and solid pursuit of high-quality development and catapulting the gross domestic product (GDP) beyond the RMB126 trillion threshold, also representing a year-on-year growth of 5.2%, which not only far surpassed the projected target set at the beginning of the year but also landed China among the world's top performing major economies. Especially in Hong Kong, since the resumption of customs clearance with the mainland and the world, the government has taken proactive measures to rebuild the economy. Under the pressure of US dollar interest rate hikes, the city still managed to achieve a remarkable GDP growth of 3.2%.

However, Hong Kong's capital market still faced considerable challenges in 2023. The city’s economic growth saw a slowdown as its capital market is weighed down by the enormous pressure brought about by the Federal Reserve continued its previous policy of raising interest rates, with the target range of the federal funds rate reaching 5.25% to 5.5%. A large amount of funds flowed into bank deposits, causing the prices of stocks, bonds, real estate and other assets to tumble. The scale of financing in the stock and bond markets fell sharply and presented considerable difficulties to enterprises in sustaining their livelihood and pursuing sustainable development, causing a degree of havoc on the market sentiment. Hong Kong stocks have taken a tumble after reaching a high at the beginning of the year and recorded a cumulative decline for the whole year of 13.8%, setting a record for the first time in the history of Hong Kong stocks falling for four consecutive years. In consequence, the Hong Kong stock IPO market has seen a downturn and a sharp decline in the total number of newly listed companies and initial financing amount, both of which fell out of the top five global IPO financing rankings. Despite this, the scale of Chinese offshore bond issuance continues to grow, but has yet to return to the 2021 level or before.

Overall speaking, despite the intricate and ever-changing global economic environment, the Chinese economy and the Hong Kong economy still show strong resilience and potential. In the face of challenges and opportunities, they still need to hold on resolutely to a strategic focus and unswervingly maintain a policy of openness in promoting high-quality economic development.

BUSINESS REVIEW

Looking back over 2023, in the face of complex and challenging internal and external environments, the Company as a whole continued to retain a prudent and restrained style of management adopted in 2022. As well as maintaining the stability of the Company's business and team, it has strived to make steady progress in business and make sustained efforts towards strengthening internal quality control and risk management. Building on this basis, we have strictly abided by the resumption guidelines of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), actively adopted valuable suggestions from external professional consultants and pushed ahead with the Company's resumption of trading efforts. After making unremitting efforts, we have finally fulfilled the resumption guidelines and resumed stock trading on 25 May 2023.

At the business level, the Company has made relentless efforts towards implementing the "double reduction" strategy, aiming to minimize the negative impact of real estate and potential risky assets on the Company's performance. The Company actively revitalizes existing assets, improves asset valuations and accelerates cash realization. While focusing on investment banking and investment business, we also pay special attention to liquidity management, increase investments in fixed-income assets that balance returns and risks, and focus on high-quality, high-growth areas such as hard & core technology, cutting-edge manufacturing, digital economy, artificial intelligence, medical and health, etc., to capture high-quality equity opportunities. In addition, the Company is also actively exploring special opportunities for non-performing assets, distressed assets, cross-border mergers and acquisitions and primary and secondary market linkages, and exploring the feasibility of cross-border wealth management business, with a view to providing customers with excellent cross-border financial services on a broader scale.

In the area of internal control and risk management, the Company focuses on investment recovery and disposal of inefficient assets. To address changes in the economic situation and market trend differentiation, etc., the Company redeemed fund interests with low capital utilization efficiency, participated in secondary market bond restructuring, and decided to sell the stocks held by the Company to optimize asset allocation and improve capital utilization efficiency. In terms of internal control management and risk control system optimization, the Company further implemented rectification work, strengthened system and institutional construction, and also adjusted and optimized the management and authorization system of subsidiaries to adapt to market changes and business development needs, ensuring that the Company's operations are stable and risks are manageable. Through these measures, the Company strives to build a more rigorous and efficient internal control and risk management system to pave a solid foundation for the Company's sustainable development.

In terms of financial performance, amidst the continued downturn in the capital market and the scarcity of quality projects, the Company has, on the one hand, managed to improve its investment results from previous year by optimising its investment portfolio and stringent risk control, resulting in an improvement in its secondary market losses and a significant decrease in the provision for impairment. On the other hand, it has achieved certain results in the implementation of the "double reduction" strategy, resulting in reduction of operating costs and substantial decrease of net loss. Overall, the Company's financial position remained healthy and liquidity was adequate.

LOOKING AHEAD

Looking forward to 2024, geopolitical uncertainties may continue to haunt the global economy, with mixed market expectations for the new year. However, central banks are expected to start cutting interest rates in the middle of the year, and mainland China and Hong Kong will continue to introduce favorable policies. The property market and capital liquidity is likely to be “let loose”, with consumption and trade emerging from their previous sluggish performance. The scale of opening up to the outside world and the introduction of key enterprises and talents will continue to expand, bringing opportunities for investors to reallocate their asset portfolios and significantly improving the current investment atmosphere. The Company is firmly optimistic about Hong Kong's status as an international financial center and expects that Hong Kong's economy is expected to continue to rebound and regain growth vitality driven by the recovery of the mainland's economy and the stabilization of the global economy.

In 2023, Hong Kong launched a number of strategic listing reform measures. Among them, the newly established "Chapter 18C" aims to attract specialized technology companies to list in Hong Kong, providing these innovative companies with a more convenient and flexible listing method. At the same time, the reform of the GEM market has provided new financing channels for high-growth and high-quality start-ups and small and medium-sized enterprises in Greater China, thereby enhancing the attractiveness of the GEM market.

In addition, Hong Kong has become the first listing venue for Saudi Arabian Exchange-traded funds in Asia, such move not only demonstrates Hong Kong’s leading position as an international financial centre, but also signals closer cooperation between Hong Kong and the Middle East markets. Looking ahead, Hong Kong is expected to continue to deepen its ties with the Middle East market and facilitate cross-border capital raising by Middle East companies in Hong Kong, thereby further strengthening Hong Kong’s position as one of the world’s leading international financial centres.

Notably, with the continuous development and popularization of blockchain technology, virtual assets, as a new investment tool, are gradually receiving the attention and recognition of global investors. On 17 November 2023, the U.S. Securities and Exchange Commission (“SEC”) made an important decision regarding the approval of Bitcoin ETF, which is to open the trading of Bitcoin ETF to everyday investors, allowing mainstream investors to buy and sell Bitcoin as easily as stocks and mutual funds. The SEC’s decision reflects the changing attitude of mainstream economies towards the regulation of virtual assets such as Bitcoin, as well as their recognition and support for the development of the virtual asset market. The price of Bitcoin was approximately US$36,500 on the day the policy was released. By 13 March 2024, it rose to approximately US$73,100, an increase of more than 100%. As one of the pioneers in the global virtual asset industry and upon issuing the "Policy Declaration on the Development of Virtual Assets in Hong Kong" on 31 October 2022, Hong Kong has continued to improve the relevant regulatory and licensing systems and provide stable, transparent and compliance-friendly business environment, with a view to building an “international virtual asset center” – which, coupled with Hong Kong's own leading advantages in finance, cross-border and technology fields, will further consolidate Hong Kong's position as an international financial center in the Web3.0 era.

Looking forward to the future, the Company will unyieldingly work towards deepening its strategic deployment in Hong Kong and cross-border financial domains, remain steadfast to the core ideal of steady development, pay close attention to global economic trends, flexibly adjust strategies, and continue to optimize asset allocation. We will continue to focus on our main business, reduce costs and increase efficiency, strengthen team building, improve professional capabilities and service standards, and provide customers with outstanding, professional, efficient and accurate cross-border and diversified asset allocation solutions to meet their individual needs.

At the same time, the Company will make full use of Hong Kong's leading position in the global financial technology field, leverage its advantages in connecting high-quality global assets, seize the development opportunities arising from the economic integration of the Greater Bay Area and capital market connectivity, actively expand asset management and investment banking businesses, promote business innovation and explore more competitive service models.

During the course of this process, the Company will always adhere to the values of integrity, professionalism and innovation, continuously improve service quality and customer satisfaction, strive to build long-term and stable customer relationships, and actively respond to market challenges by continuously optimizing itself to serve shareholders and investors, with a view to creating more generous returns and maximizing company value.

FINANCIAL REVIEW

For the year ended 31 December 2023, the consolidated revenue of the Group was approximately HK$114,385,000 (2022: HK$243,757,000), representing a decrease of approximately 53% as compared with the corresponding year in 2022, mainly due to decrease in interest income arising from reduction in scale of debt investments for the year under review.

The analysis of the Group's total revenue recognised in the consolidated statement of profit or loss is as follows:

For the years ended 31 December 2023 and 2022

	2023 **HK$'000**	2022 HK$'000	Change
Interest income	**76,241**	194,900	(61%)
Commission and fee income	**26,760**	30,463	(12%)
Investment income	**11,384**	18,394	(38%)
Total revenue	**114,385**	243,757	(53%)

The Group recorded a loss of approximately HK$23,561,000 for the year ended 31 December 2023, as compared to a loss of HK$622,808,000 in 2022. The significant reduction in loss was mainly due to the net effects of the following factors:

(i) a net gain on investments of approximately HK$81,810,000 recorded for the year ended 31 December 2023 as compared to a net loss of HK$447,279,000 in 2022;

(ii) a decrease in provision for ECL allowances on financial assets with amount of approximately HK$49,389,000 recorded for the year ended 31 December 2023 (2022: HK$174,675,000);

(iii) a decrease in share of loss of associates with amount of approximately HK$7,195,000 recorded for the year ended 31 December 2023 (2022: HK$39,440,000); and

(iv) a decrease in revenue by approximately HK$129,372,000 for the reasons mentioned above.

The table below presents the breakdown of segment revenue (including net gain/(loss) on financial assets/liabilities) and reportable segment results for the years ended 31 December 2023 and 2022:

	Segment revenue and net gain/ (loss) on financial assets/liabilities		Segment results	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asset management	**17,259**	23,730	**(4,383)**	7,210
Securities brokerage	**7,697**	7,509	**(3,972)**	(4,473)
Investment holding	**149,016**	(241,037)	**57,613**	(516,003)
Total	**173,972**	(209,798)	**49,258**	(513,266)

Asset management segment

The Group's asset management business represents the provision of asset management services to clients. The Group's asset management segment recorded revenue of approximately HK$17.3 million for the year ended 31 December 2023 as compared to approximately HK$23.7 million for the year ended 31 December 2022 and loss of approximately HK$4.4 million for the year ended 31 December 2023 as compared to profit of approximately HK$7.2 million for the year ended 31 December 2022. The decrease in segment revenue and the turnaround from profit to loss was primarily due to the decrease in asset management fee income arising from the reduction of average aggregated net value of assets under management during the year under review.

Securities brokerage segment

The Group's securities brokerage business mainly includes the provision of brokerage services, securities margin financing to clients, underwriting services to corporate clients for their fund raising activities in equity and debt capital market, financial advisory and financial arrangement services to clients. For the year ended 31 December 2023, the revenue contributed by the securities brokerage segment slightly increased to approximately HK$7.7 million, while the loss reduced to approximately HK$4.0 million, compared to the revenue and loss of approximately HK$7.5 million and HK$4.5 million, respectively, for the year ended 31 December 2022. The increase in segment revenue was mainly due to the increase in interest income from margin financing which was partially offset by the decline in fees received from clients, while the decrease in loss was principally attributable to the decrease in segment operating costs during the year under review.

Investment holding segment

The Group's investment holding business mainly represents direct investments in investment funds, listed and unlisted debts and equities, alternative investments (such as real estate investments through investment funds) and private equities, and provision of loan financing services.

The Group's investment holding segment recorded revenue (including net gain/(loss) on financial assets/liabilities) of approximately HK$149.0 million for the year ended 31 December 2023 as compared to a net negative amount of approximately HK$241.0 million for the year ended 31 December 2022 and profit of approximately HK$57.6 million for the year ended 31 December 2023 as compared to loss of approximately HK$516.0 million for the year ended 31 December 2022. The improvement in segment revenue and results was mainly due to the net impact of (i) net gain on financial assets/liabilities of approximately HK$81.8 million recorded for the year ended 31 December 2023 as compared to a net loss of approximately HK$447.3 million recorded for the year ended 31 December 2022 as a result of the improvement of fair value of certain unlisted investments and the slowdown in decline in fair value of listed equity and debt investments; (ii) a significant decrease in provision of impairment of financial assets as a result of slowdown in incline of credit and default risk of debt investments for the year under review; and (iii) partially offset by a decrease in interest income arising from reduction in scale of debt investments.

The total operating costs (including staff costs, premises expenses, legal and professional fees, depreciation, information technology expenses, finance costs, trading costs and other operating costs) for the year ended 31 December 2023 was approximately HK$146,906,000 (2022: HK$188,997,000), representing a decrease of approximately 22.3% which was due primarily to effective cost control measures implemented by the Group on the overall operating expenses for the year ended 31 December 2023.

On financial position and cash flows:

— the Group's total assets were approximately HK$4,318,496,000 as at 31 December 2023 (as at 31 December 2022: HK$4,464,246,000), representing a decrease of approximately 3.3%; and

— net cash (outflows)/inflows from operating activities, investing activities and financing activities were approximately HK$(313,122,000), HK$(27,023,000) and HK$17,921,000 respectively for the year ended 31 December 2023 (2022: HK$473,946,000, HK$(18,315,000) and HK$(177,096,000) respectively).

Key financial and business performance indicators

The key financial and business performance indicators of the Group are comprised of profitability; loan receivables; impaired loan receivables to total loan receivables ratio; and gearing ratio.

The Group recorded a loss attributable to owners of the Company of approximately HK$24,834,000 for the year ended 31 December 2023 as compared to a loss of approximately HK$623,263,000 for the year ended 31 December 2022.

Loan and interest receivables balance arising from lending business increased to approximately HK$209,886,000 as at 31 December 2023 (as at 31 December 2022: HK$117,723,000).

Based on HKFRS 9 ECL assessment on margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income, other trade receivables and other interest receivables, the Group recognised an aggregate ECL allowance of approximately HK$49,389,000 in consolidated statement of profit or loss for the year ended 31 December 2023 (2022: HK$174,675,000). ECL allowances to total margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income, other trade receivables and other interest receivables ratio was approximately 76.9% as at 31 December 2023 (as at 31 December 2022: 79.4%). The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its loan receivables and to take prompt actions to pursue loans recovery regarding potential problem credits.

As at 31 December 2023, the Group's gearing ratio (total debt to total equity) was approximately 0.7% (as at 31 December 2022: 0%). The Group strives to achieve appropriate leverage level in order to grow its business effectively, and at the same time continue to monitor its liquidity prudently, manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's cash and bank balances amounted to approximately HK$689,636,000 (as at 31 December 2022: HK$1,028,332,000). The current ratio as at 31 December 2023 was approximately 489.5% (as at 31 December 2022: 643.2%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient financial resources for the Group to meet its obligations and business requirements.

OPERATIONAL REVIEW

Funding, capital structure and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and to generate reasonable returns from available funds. The Group has implemented adequate measures to monitor the liquidity for business operations and any investment opportunities, and the foreseeable funding requirements to ensure certain subsidiaries of the Company continuously comply with the relevant rules and regulations.

The Group relies principally on its share capital, internally generated capital and other borrowings to fund its investments and loan lending business. The Group's interest bearing borrowings in the form of repurchase agreements amounted to approximately HK$27,639,000 as at 31 December 2023 (as at 31 December 2022: HK$Nil). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of approximately 0.7% as at 31 December 2023 (as at 31 December 2022: 0%). During the year under review, the Group's borrowings were mainly denominated in US dollars, and had remaining average maturity periods of less than one year. The Group's cash and cash equivalents were mainly denominated in US dollars, Renminbi, Japanese Yen, Canadian dollars and Hong Kong dollars. There were no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments by the Group during the year under review. Details of the Group's borrowings are set out in note 28 to the consolidated financial statement.

Asset quality and credit management

The Group will continue to manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management. Based on HKFRS 9 ECL assessment on loan and interest receivables, margin receivables, financial assets at amortised cost, debt instruments at fair value through other comprehensive income, other trade receivables and other interest receivables, the Group recognised a provision for/(reversal of) ECL allowances of approximately HK$3,044,000, HK$Nil, HK$4,187,000, HK$31,450,000, HK$2,800,000 and HK$7,908,000 respectively in consolidated statement of profit or loss for the year ended 31 December 2023 (2022: HK$(40,940,000), HK$(4,000), HK$34,415,000, HK$179,289,000, HK$Nil and HK$1,915,000 respectively).

Furthermore, the Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its financial assets. Further, the Group's investments and cash and bank balances are placed with a diversified portfolio of reputable financial institutions.

Human resources management

The objective of the Group's human resources management is to reward and recognise well performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors consider that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency, which is Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency should the need arises.

STAFF AND REMUNERATION POLICY

As at 31 December 2023, the Group had 64 employees (as at 31 December 2022: 75 employees).

The employees are remunerated based on their work performances, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

CHARGES ON GROUP'S ASSETS

The analysis of the charge on Group's assets is as follows:

	2023 **HK$'000**	2022 HK$'000
Financial assets at fair value through profit or loss	**75,233**	–
Total charges on Group's assets	**75,233**	–

As at 31 December 2023, financial assets at fair value through profit or loss were bonds pledged as collateral for the Group's borrowings.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 December 2023 and 2022 are set out in notes 20 and 33 to the consolidated financial statements.

CAPITAL COMMITMENTS

The Group has entered into contracts to commit investing into certain unlisted investment funds. The aggregate non-cancellable capital commitment as at 31 December 2023 amounted to approximately HK$260,656,000 (as at 31 December 2022: HK$292,829,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2023, the Group has partially redeemed an investment in an unlisted fund, namely CVAM Greater China Selected Fixed Income SP, and the interest in this fund decreased from approximately 69% to 28%. Accordingly, the Group deconsolidated the fund as the Group no longer has control over this investment.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed elsewhere in this annual report, the Group currently does not have any concrete plan for material investments or capital assets.

SIGNIFICANT INVESTMENTS

As at 31 December 2023, the Group had investments in financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost with an aggregate carrying amount of approximately HK$2,839,406,000 (as at 31 December 2022: HK$2,864,859,000). The details of significant investments (each of which with carrying value more than 5% of the total assets of the Group) as at 31 December 2023 are as follow:

Name of investee company/fund	Nature of investments	Investee's principal businesses	Number and percentage of shares/ units held	Investment costs HK$000	Fair value/ Carrying value as at 31 December 2023 HK$000	Percentage of Group's total assets as at 31 December 2023	Unrealised gain/(loss) on change in fair value for the year ended 31 December 2023 HK$000	Realised gain/(loss) for the year ended 31 December 2023 HK$000
eToro Group Ltd.	Investment in unlisted preferred shares^	Social investment trading network	1,196,438 (6.19%)	385,508	1,177,975	27.3%	74,657	–
Wison (Nantong) Heavy Industry Co., Ltd.	Investment in unlisted shares^	Marine engineering	142,732,048 (4.65%)	298,167	342,169	7.9%	11,275	–

^ Classified as financial assets at fair value through profit or loss

To the best knowledge of the Company, the investee companies as disclosed in the significant investments above, including Wison (Nantong) Heavy Industry Co., Ltd. which is the affiliate of a minority shareholder of the Company's major shareholder, are not connected persons of the Company.

The Group's investment objective is to increase the value of its investment holding business in order to enhance returns for its shareholders. Through a risk-balanced investment strategy of targeting an appropriate mix of different types of investment instruments in its portfolio, including but not limited to listed equity securities which provide liquidity and capital appreciation, debt securities and interest-bearing instruments which provide recurring and stable stream of interest income, and unlisted equity and fund investments which provide a potential higher return in a medium to long term horizon, the Group seeks not only to widen its source of revenue, but also to achieve risk adjusted return in its overall investment portfolio.

Looking ahead, the stock market is expected to remain volatile. The performance of proprietary investment will be affected by unstable market conditions. The Group will continue to implement strict risk control to minimise the impact of market volatility and will seek potential investment opportunities to diversify its investment portfolio with an aim to maximise value for the shareholders of the Company.

QUALIFIED OPINION

As set out in the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report"), the auditor of the Company (the "Auditor") issued a qualified opinion in the independent auditor's report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2022. Further information regarding the qualified opinion last year was set out on pages 79 to 86 of the 2022 Annual Report. The Auditor issued a qualified opinion in the independent auditor's report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2023. In view of the qualified opinion, the Board would like to provide the following information.

(i) Audit modification on comparability of the current year's figures and the corresponding figures for the year ended 31 December 2022

Details of the modification

As stated in the independent auditor's report set out on pages 73 to 80 of this report, given the lack of sufficient appropriate audit evidence to evaluate the fair values of (i) an investment in an offshore fund (the "Fund") which included two underlying fund investments, and (ii) an investment in a fund (the "Fund D") which held two underlying loans as at 31 December 2021, the Auditor was unable to determine whether any adjustments to the opening carrying value of the Fund and the Fund D as at 1 January 2022 and the relevant loss on investments recognised in respect of the Fund and the Fund D for the years ended 31 December 2021 and 2022 were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2022.

Management's position and assessment on the modifications

The management of the Company considered that the investment losses recognised for the Fund and the Fund D only affected the comparative figures in relation to the opening carrying values of the Fund and the Fund D for the year ended 31 December 2022 and have no impact on the opening balance on the consolidated financial statements of the Group for the year ended 31 December 2023. The Company would like to emphasize that the carrying amounts of investments in the Fund and the Fund D as at 31 December 2022 and 2023 were not qualified.

(ii) Audit modification on investment in an unlisted fund (the "Fund F")

Details of the modification

As stated in the independent auditor's report set out on pages 73 to 80 of this report, given the lack of sufficient appropriate audit evidence to evaluate the value of underlying assets of the Fund F as at 31 December 2023, the Auditor was unable to determine whether any adjustments to the carrying value of the Fund F as at 31 December 2023 and the fair value loss recognised during the year ended 31 December 2023 in respect of the Fund F and whether the related disclosure of investment in the Fund F is appropriate.

Management's position and assessment on the modifications

During the year ended 31 December 2023 and up to date of this report, the Group has made its best efforts to obtain certain available financial information of the Fund F and regular investor update in relation to the status of underlying assets of the Fund F from the external fund manager. The fair value of the Fund F as at 31 December 2023 was reference to the net assets value approach based on the capital statement as at 31 December 2023 provided by the external fund manager. The Group considered that the basis applied in the fair value assessment of the Fund F represented the best estimate.

The Group would continue to implement all possible actions to safeguard the investment in the Fund F, including but not limited to ongoing negotiation with the external fund manager to obtain proper financial information and valuation of the underlying assets of the Fund F, enter into side letter regarding its information rights on the underlying investments and/or shorten the reporting timeline by the external fund manager. The Group would also prepare to seek legal advice on available legal recourse against the external fund manager and/or the Fund F if the situation remains unresolved.

(iii) Audit Committee's view on the modifications

In respect of audit modification on comparability of the current year's figures and the corresponding figures for the year ended 31 December 2022, the Audit Committee was of the view that the qualified opinion for the year ended 31 December 2023 was only a consequential effect of the qualified opinion relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2022. The Audit Committee also reviewed the matters after discussion with the Auditor and the management, and confirmed that it agreed with the management's position and assessment of the qualified opinion.

In respect of audit modification on investment in the Fund F, the Audit Committee reviewed the audit modification and understood that the Auditor was unable to obtain all required evidence in relation to the audit work. The Audit Committee also reviewed and understood the position of the management and they advised that the Company should come up with a plan to remove the audit modification. In this regard, the Audit Committee agreed with the view of the management's position described above.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

The Group's revenue is mainly derived from business activities in Hong Kong, Mainland China, Japan and Canada. An analysis of the Group's revenue is set out in note 6 to the consolidated financial statements.

Particulars of the Company's major subsidiaries as at 31 December 2023 are set out in note 18 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to various key risks including credit risk, interest rate risk, liquidity risk, operational risk and market risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 3 "Financial Risk Management" to the consolidated financial statements included in this annual report.

The Group's long term profitability and business growth are affected by the volatility and uncertainty of macroeconomic conditions (including but not limited to gross domestic product growth, consumer and asset price indexes, and credit demand), financial volatility (exacerbated by the recent Brexit impact and divergent monetary policies of United States and other countries), and uncertain economic outlook and political conditions of Hong Kong, Mainland China, United States, Eurozone, Japan, Canada and other countries. The divergence of monetary policies in major advanced economies is expected to continue to contribute partly to the volatility of fund and trade flows and that of asset prices and economic growth momentum in Hong Kong and Mainland China. Financial risk could quickly spill over from one to another nation given their increasing economic and political ties amongst each other. In particular, the potential impact on economic activities and on property, stock and debt prices of Hong Kong are subject to political and economic developments of Mainland China, United States, Eurozone, Japan, Canada and other countries.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of its business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party providers and closely monitors their performance.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the section headed "Management Discussion & Analysis". The significant events affecting the Group since the end of the financial year under review are set out in the paragraph headed "Significant Events After the Reporting Period" of this section.

The Group complies with the requirements under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group.

The Group is committed to raising environmental awareness among its staff, partners, and stakeholders. It implemented energy saving practices in certain office premises. For example, the Group runs an internal recycling program on a continuous basis for consumable goods such as toner cartridges to minimise the impact on the environment and natural resources. The Group has taken the initiative to reduce energy use and waste, to use environmentally friendly products and aims to lead by example.

Going green will always continue to be a key focus for the Group. Green plants are kept in office and plant care service provider is responsible to take care of the plants every week. The Group currently uses and will continue to install lighting fixtures with LED lighting or T5 fluorescent tubes. Indoor temperature is maintained at 25°C to save energy.

The Group will review its environmental policies from time to time and will consider further eco-friendly practices in the operation of the Group's businesses to move towards enhancing environmental sustainability.

Further discussions on the Group's environmental policy and our relationship with various stakeholders are covered by the "Environmental, Social and Governance Report" section on pages 49 to 72 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with business partners to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to business partners before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 81 to 82 of this annual report.

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2023 (2022: HK$Nil).

ANNUAL GENERAL MEETING

The 2024 annual general meeting (the "2024 AGM") is expected to be held in June 2024. A further announcement in relation to the date of the 2024 AGM and the closure of register of members will be published in accordance with the Listing Rules.

SHARES CAPITAL

Details of the shares are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2023, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), amounted to HK$Nil (2022: HK$Nil).

DONATIONS

During the year ended 31 December 2023, no charitable and other donations were made by the Group (2022: HK$Nil).

FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarised on page 172 of this annual report.

DIRECTORS OF THE COMPANY

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Li Feng
Xie Fang (Appointed on 22 March 2024)
Du Lina (Appointed as Executive Director on 29 August 2023,
appointed as Acting Chairperson on 22 February 2024, appointed as Chairperson on 22 March 2024 and
resigned as Chairperson and Executive Director on 8 April 2024)
Lin Le (Appointed as Chairperson and Executive Director on 29 August 2023 and
resigned as Chairperson and Executive Director on 21 March 2024)
Tan Zhenyu (Resigned as Chairman and Executive Director on 29 August 2023)
Ni Xinguang (Retired on 16 June 2023)

Non-executive Directors

Ng Kian Guan *(Chairman)* (Appointed as Chairman and Non-executive Director on 8 April 2024)
Huang Yan (Appointed on 19 April 2024)
Zhang Boyang (Resigned on 8 April 2024)

Independent Non-executive Directors

Cheng Tai Sheung (Appointed on 8 March 2024)
Ko Ming Tung, Edward (Appointed on 22 March 2024)
Sun Junchen (Appointed on 22 March 2024)
Wong Ka Wai (Appointed on 22 March 2024)
Zhou Hui (Resigned on 22 March 2024)
Dong Hao (Resigned on 13 March 2024)
Wen Yuanhua (Resigned on 13 March 2024)
Jin Mingming (Appointed on 8 March 2024 and resigned on 13 March 2024)

The persons who were directors of the subsidiaries of the Company during the year and up to the date of this report (not including those Directors listed above) were:

Chen Xiao
Cheng Song Guo
Guo Yanming (Resigned on 15 February 2023)
Guo Yifan
He Zhun (Resigned on 8 November 2023)
Kong Suet Long
Lam Chi Chung (Appointed on 27 October 2023)
Lau Hoi Leung
Leung Cheuk Ho
Leung Man Chak (Appointed on 15 February 2023)
Li Zhan (Resigned on 1 February 2023)
Liu Junliang
Liu Kairong (Resigned on 5 July 2023)
Lu Zheng Xiong
Lui Kin Wai (Resigned on 8 November 2023)
Lui Siu Man
Mak Tsz Yeung
So Wai Lun
Takuya Komuro
Wang Yi Peng (Resigned on 7 November 2023)
Wang Yuehui (Resigned on 9 April 2023)
Xie Fang
Xu Jiashu
Yip Shun Shun (Resigned on 30 November 2023)
Zeng Jin (Appointed on 30 November 2023 and terminated on 9 April 2024)
Zhang Miaoyao
Zhang Chao (Resigned on 29 September 2023)

Biographical Details of Directors and Senior Management

Biographical Details of Directors and Senior Management are set out on pages 46 to 48 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, namely Mr. Cheng Tai Sheung, Mr. Ko Ming Tung, Edward, Mr. Sun Junchen and Mr. Wong Ka Wai a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

For the executive Directors, Mr. Li Feng entered into a service contract with the Company for an initial term of three years with effect from 15 March 2022. Mr. Xie Fang entered into a service contract with the Company for an initial term of three years with effect from 22 March 2024. For the non-executive Director, Mr. Ng Kian Guan entered into a service contract with the Company for a term of three years with effect from 8 April 2024. Mr. Huang Yan is expected to enter into a service contract with the Company for a term of three years with effect from 19 April 2024. For the independent non-executive Directors, Mr. Cheng Tai Sheung entered into an appointment letter with the Company for a term of three years with effect from 8 March 2024. Each of Mr. Ko Ming Tung, Edward, Mr. Sun Junchen and Mr. Wong Ka Wai entered into an appointment letter with the Company for a term of three years with effect from 22 March 2024.

No Director proposed for re-election at the 2024 AGM has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2023, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of Director	Number of ordinary shares held Personal interests	 Corporate interests	Total	Percentage of the issued share capital *(Note (a))*
Li Feng	1,250,000	–	1,250,000	0.00%

Note:

(a) The percentage was calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executives of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2023, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered during the year or subsisting at the end of the year are set out below:

Share Options

The Company adopted a share option scheme on 9 December 2013 (the "2013 Share Option Scheme") to replace the share option scheme adopted on 28 May 2004 (the "2004 Share Option Scheme"). Since then, no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

No options were granted during the year ended 31 December 2023, and there was no outstanding option held under 2004 Share Option Scheme and 2013 Share Option Scheme as at 31 December 2023 (2022: nil). The 2013 Share Option Scheme has expired on 8 December 2023.

SHARE AWARD PLAN

On 19 December 2018, the Company adopted a share award plan ("Share Award Plan"). The purpose of the plan is to recognise and reward the contributions of certain eligible participants to the growth and development of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Details of the Share Award Plan are set out below in accordance with Rule 17.09 of the Listing Rules:

Purpose of the Share Award Plan:	The purposes of the Plan are to recognise and reward the contribution of Eligible Participants (as defined below) to the growth and development of the Group, to give incentives to Eligible Participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.
Eligible Participants:	Any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any Subsidiary or any Invested Entity (an "Employee"); any non-executive directors (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity; any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the Share Award Plan, the Award may be made to any company wholly owned by one or more of the above participant. The eligibility of any of the Eligible Participants to an Award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of the Group.
Maximum entitlement of each Eligible Participant:	The maximum number of shares which may be subject to an award or awards to a Selected Participant shall not in aggregate exceed 1% of the issued share capital of the Company as at 19 December 2018 (the "Adoption Date").
Number of share awards available for grant under the scheme mandate as at 1 January 2023:	2,892,871,925 share awards
Number of share awards available for grant under the scheme mandate as at 31 December 2023:	2,888,291,925 share awards

Maximum number of shares to be subscribed and/or purchased by the trustee pursuant to the Share Award Plan:	2,892,871,925 shares, representing approximately 8.33% of the issued share capital of the Company as at the date of this annual report.
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 paid:	Nil
Remaining life of the Share Award Plan:	The Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date.

During the year ended 31 December 2023, 4,580,000 awarded shares were granted to awardees under the Share Award Plan. During the year ended 31 December 2023, 4,580,000 awarded shares were vested, and no awarded shares were lapsed/forfeited/cancelled. The fair value of shares granted amounting to approximately HK$101,000 was determined based on the quoted market price of the shares at the date of grant and was recognised as share-based payment expense in profit or loss during the year ended 31 December 2023.

The table below sets out details of share awards granted to various Eligible Participants/categories of participants under the Share Award Plan:

	Number of awarded Shares							
Name or category of participants	At 1 January 2023	Granted on 15 September 2023	Vested on 15 September 2023	Purchase Price	At 31 December 2023	Share closing price immediately before the date of grant of awarded shares	Vesting period	Performance target
Executive Director Li Feng	–	1,250,000	1,250,000	Nil	–	HK$0.024	Immediately vested upon grant	Nil
2 employees of the Group	–	3,330,000	3,330,000	Nil	–	HK$0.024	Immediately vested upon grant	Nil

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' MATERIALS INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Apart from the particulars disclosed in note 35 under the heading "Related Party Transactions" to the consolidated financial statements, there were no transaction, arrangement and contract of significance in relation to the Group's business to which the Company's holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and the director's connected party had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 35 to the consolidated financial statements.

Connected Transaction and Continuing Connected Transaction

During the year ended 31 December 2023, the Group has the following connected transaction and continuing connected transaction.

Asset Management

On 15 March 2021, JBC Holdings Co., Ltd ("JBC"), a wholly-owned subsidiary of the Company at the material time, and Vered Holdings Co., Ltd ("Vered Japan") entered into a subscription agreement, pursuant to which Vered Japan agreed to subscribe for 8,648 ordinary shares of JBC (representing approximately 49.003% of the enlarged equity interest in JBC) at the consideration of JPY86.48 million (equivalent to approximately HK$6.2 million at the date of announcement of the Company) (the "Subscription"). Completion of the Subscription took place on the same day.

Upon the completion of the Subscription, the percentage of equity interests in JBC held by the Company via China Vered Asset Management (Hong Kong) Limited ("CVAM") (a wholly owned subsidiary of the Company) was reduced from 100% to approximately 50.997%. Vered Japan is an indirect wholly-owned subsidiary of Vered Holdings Corporation ("Vered Holdings") which held approximately 28.93% of shareholding in the Company on the date of Subscription. According to Rule 14A.13 of the Listing Rules, Vered Japan is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Rules 14A.25 of the Listing Rules and therefore JBC became a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules.

JBC, as an executing partner, would provide management services to JBC Fund I (the "Fund") and the Fund would pay certain management fees to JBC pursuant to the investment partnership agreement dated 24 March 2020 between CVAM Japan Strategy Limited (a direct wholly-owned subsidiary of CVAM) and JBC (the "Investment Partnership Agreement"). The provision of management services under the Investment Partnership Agreement to the Fund by JBC as executing partner and the payment of management fees by the Fund to JBC constitutes a continuing connected transaction under Rules 14A.25 and 14A.31 of the Listing Rules.

Pursuant to the Investment Partnership Agreement, the Fund would pay certain management fees to JBC pursuant, for each business year in the following amounts (each an annual amount) in cash in arrears (on the last Business Day of each quarter period (March, June, September, and December), beginning in June 2020:

(i) For the first business year, an amount equal to 1.5% of the total capital contribution of all Partners (prorated on the basis of a 365-day year);

(ii) For each of the second and subsequent business years until the business year in which the expiration date of the Commitment Period falls, an amount equal to 1.5% of the total capital contribution of all Partners; and

(iii) For each of the business years following the business year in which the expiration date of the Commitment Period falls, an amount equal to 1.5% of the Investment Amount as of the end of the preceding business year.

Pursuant to the announcement dated 15 March 2021, the annual caps for the maximum amount of fees payable by Fund to the Group for the period from 15 March 2021 to 31 December 2021, the year ended 31 December 2022 and the year ending 31 December 2023 are JPY60 million, JPY60 million and JPY60 million, respectively.

During the years ended 31 December 2022 and 31 December 2023, the fee paid or payable by the Fund to JBC amounted to JPY60.0 million (equivalent to approximately HK$3.6 million) and JPY60 million (equivalent to approximately HK$3.3 million) respectively.

For further details, please refer to the announcements of the Company dated 15 March 2021 and 19 March 2021.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions above have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

Connected Transactions

During the year ended 31 December 2023, the related-party transactions described in note 35 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules and have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the highest paid individuals of the Group are set out in note 12 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2023, so far as was known to the Directors, the following persons, other than the Directors and chief executives of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital *(Note (e))*
Vered Holdings	Interest of controlled corporation *(Note (a))*	10,049,310,000	28.95%
薔薇控股(深圳)有限公司	Interest of controlled corporation *(Note (a))*	10,049,310,000	28.95%
Vered Holdings (Hong Kong) Limited ("Vered Hong Kong")	Interest of controlled corporation *(Note (a))*	10,049,310,000	28.95%
Vered Investment Co., Ltd ("Vered Investment")	Interest of controlled corporation *(Note (a))*	10,049,310,000	28.95%
Vered Holdings Group Ltd ("Vered Cayman")	Beneficial owner *(Note (a))*	10,049,310,000	28.95%
Liu Xueyi	Interest of controlled corporation *(Note (b))*	5,034,511,390	14.50%
Prosper Ascend Limited	Beneficial owner *(Note (b))*	5,034,511,390	14.50%
Shao Jinxia	Interest of controlled corporation *(Note (c))*	3,500,000,000	10.08%
Hong Kong Baohui Toda Limited	Beneficial owner *(Note (c))*	3,500,000,000	10.08%
China Minsheng Investment Group Corporation Ltd.	Interest of controlled corporation *(Note (d))*	2,072,618,610	5.97%
China Minsheng Asia Asset Management Co, Ltd	Interest of controlled corporation *(Note (d))*	1,430,000,000	4.12%
	Beneficial owner *(Note (d))*	642,618,610	1.85%
CMI Financial Holding Company Limited	Interest of controlled corporation *(Note (d))*	1,430,000,000	4.12%
CMI Financial Holding Corporation	Beneficial owner *(Note (d))*	1,430,000,000	4.12%

Notes:

(a) 10,049,310,000 shares were held by Vered Cayman, which is wholly owned by Vered Investment, and which in turn is wholly owned by Vered Hong Kong. Vered Hong Kong is wholly owned by 薔薇控股(深圳)有限公司, which in turn is wholly owned by Vered Holdings.

(b) 5,034,511,390 shares were held by Prosper Ascend Limited, which is wholly owned by Mr. Liu Xueyi. By virtue of the SFO, Mr. Liu Xueyi was deemed to have interest in the shares held by Prosper Ascend Limited.

(c) 3,500,000,000 shares were held by Hong Kong Baohui Toda Limited, which is wholly owned by Mr. Shao Jinxia. By virtue of the SFO, Mr. Shao Jinxia is deemed to have interest in the shares held by Hong Kong Baohui Toda Limited.

(d) 1,430,000,000 shares were held by CMI Financial Holding Corporation, which is wholly owned by CMI Financial Holding Company Limited, and which in turn is wholly owned by China Minsheng Asia Asset Management Co, Ltd ("CM Asia"). CM Asia is wholly owned by China Minsheng Investment Group Corporation Ltd. CM Asia also directly holds 642,618,610 shares.

(e) The percentage has been calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 31 December 2023.

Save as disclosed above, the Directors and the CEO are not aware that there is any party who, as at 31 December 2023, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial Shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Award Plan" and "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporation" above, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFITS

MPF Scheme has been set up for employees, including executive Directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,500 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

COMPETING INTERESTS

None of the Directors and their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 December 2023 and up to the date of this report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share award plan as an incentive to Directors and eligible employees, details of the scheme is set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the revenue attributable to the five largest customers of the Group accounted for approximately 33.99% of the Group's total revenue while the revenue attributable to the largest customer of the Group was approximately 9.05% of the Group's total revenue. The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

Save as disclosed above, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2023 and up to the latest practicable date prior to the issue of this annual report, there was a sufficiency of public float the Company's securities as required under the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(1) Investigation by an independent forensic investigation company

On 22 February 2024, the Board has approved and resolved the formation of an investigation committee to investigate (the "Investigation") the matters in relation to the alleged misconduct of Ms. Lin Le ("Ms. Lin"), the then chairman of the Board and an executive director of the Company as contained in a complaint letter from a shareholder of the Company. The key purposes of the Investigation include the following: (1) to investigate whether Ms. Lin has violated the Listing Rules or any requirements of directors' duties during her tenure with the Company, resulting in any loss or damages to the Company; and (2) to investigate whether there are undisclosed related party transactions between the Company and any related parties of Ms. Lin, and investigate whether the undisclosed matters (if any) have resulted in any violations to the Listing Rules. The Board has engaged Grant Thornton Advisory Services Limited, an independent forensic investigation company, to conduct the Investigation. Please refer to the announcements of the Company dated 22 February 2024 and 13 March 2024 for details of the Investigation. As at the date of this report, the Investigation is in the progress of finalisation and the Group expects that the Investigation would not cause any material adverse impact to the financial position of the Group through ongoing communication with the independent forensic investigation company. Further announcement will be made by the Company on the Investigation as and when appropriate in compliance with the Listing Rules.

(2) Originating Summons issued by Ms. Lin

On 28 February 2024, Ms. Lin, the then executive director of the Company, issued and filed an originating summons (the "Summons") against certain directors at material time and the Company as the defendants. The Company is currently seeking legal advice in respect of the Summons and will keep its shareholders and the public informed of any material development in connection with the above proceedings by way of further announcement(s) as and when appropriate. Please refer to the announcements of the Company dated 29 February 2024 and 13 March 2024 for further details of the Summons.

Saved as disclosed above, as of 31 December 2023 and up to the date of this annual report, there are no other significant events occurred after the reporting period that may affect the Group.

AUDITOR

PricewaterhouseCoopers retired as auditor of the Group upon signing the Auditor's Report of the 2021 financial statements. Mazars CPA Limited ("Mazars") was appointed as auditor of the Group with effect from 20 October 2022 to fill the vacancy and their appointment was also approved by the Shareholders at the adjourned AGM held in 2022.

At the annual general meeting held in 2023, Mazars was re-appointed as auditor of the Group to hold office until the 2024 AGM.

The financial statements for the year ended 31 December 2023 have been audited by Mazars who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Mazars as auditor of the Group will be proposed at the forthcoming 2024 AGM.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. As at the date of this report, the Audit Committee comprised Mr. Wong Ka Wai (Chairman), Mr. Cheng Tai Sheung, Mr. Ko Ming Tung, Edward and Mr. Sun Junchen.

An Audit Committee meeting was held on 28 March 2024 and attended by the four members of the Audit Committee, who have reviewed the consolidated financial statements of the Group for the year ended 31 December 2023.

By order of the Board
China Vered Financial Holding Corporation Limited
Du Lina
Chairperson

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules.

Throughout the period under review, the Company has complied with the Code Provisions of the CG Code.

BOARD OF DIRECTORS

Functions and role

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Company's operation and financial performance. All of the appointed Directors are subject to rotation for re-appointment at the annual general meeting, and each of the Directors is subject to retirement by rotation at least once every three years. Appropriate and sufficient information was provided to each of the Directors to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Company.

The independent non-executive Directors are expressly identified in all corporate communications such as circular, announcement or relevant corporate communications in which the names of Directors are disclosed. Each of the independent non-executive Directors has filed a confirmation to the Company confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the independence guideline set out in Rule 3.13 of the Listing Rules and are independent.

To the best knowledge of the Company, save that Ms. Du Lina is the spouse of Mr. Zhang Boyang, there is no other financial, business, family relationship among the members of the Board as at 31 December 2023. All of them are free to exercise their individual judgment.

Composition

As at the date of this Report, the Board comprises eight Directors, of which three are executive Directors, one is non-executive Director and four are independent non-executive Directors. Three of the four independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise, which complies with the requirement of the Listing Rules. The Directors' respective biographical information is set out in this annual report under the heading "Biographical Details of Directors and Senior Management" and the names of current Directors on Board and their positions are as follows:

Name of Directors	Position
Executive Directors	
Ms. Du Lina	Chairperson
Mr. Li Feng	Chief Executive Officer
Mr. Xie Fang	Chief Risk Officer
Non-executive Director	
Mr. Zhang Boyang	
Independent Non-executive Directors	
Mr. Cheng Tai Sheung	
Mr. Ko Ming Tung, Edward	
Mr. Sun Junchen	
Mr. Wong Ka Wai	

The Board held 8 Board meetings (including four regular Board meetings) during the financial year ended 31 December 2023. Appropriate and sufficient information was provided to the Board in a timely manner for their review before the meetings. Attendance of individual Directors at Board meetings is set out in the section of "Attendance of Board Meetings, Audit Committee Meetings, Nomination Committee Meetings, Remuneration Committee Meetings and Annual General Meeting in 2023".

Chairperson and CEO

During the year ended 31 December 2023, the position of Chairperson was held by Mr. Tan Zhenyu (up to 29 August 2023) and Ms. Lin Le (from 29 August 2023 to 31 December 2023), whilst the position of CEO was held by Mr. Li Feng during the reporting period. The Chairperson provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company's business development and daily management and operations generally.

Board Practices

The Board, led by the Chairperson, is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. One of the important roles of the Chairperson is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairperson shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairperson has delegated the responsibility for drawing up the agenda for each Board meeting to the secretary of the Board. With the support of executive Directors and the company secretary of the Company (the "Company Secretary"), the Chairperson seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Eight Board meetings (including four regular Board meetings) were held during the year for facilitating the function of the Board. The Board believes that the Board meetings held during the financial year were adequate to cover all major issues during the year. In any event all Directors were available for consultation by management from time to time during the year.

The Board also reserves for its decisions on all major matters of the Company, including: the approval and monitoring of major policy matters, overall strategies and annual budgets and business plans, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information and other significant financial and operational matters.

Management is responsible for the day-to-day operations of the Group under the leadership of the CEO. The CEO, working with the management team, is responsible for managing the businesses of the Group including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. Apart from the regular Board meetings, the Chairperson may hold meetings with the independent non-executive Directors without the presence of executive Directors.

In order to ensure that the Board is able to fulfill its responsibilities, the Board has established and delegated specific responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. The details of the committees are stipulated on pages 38 to 41 of this report.

Sufficient formal notice of every regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The secretary of the Board shall attend all regular Board meetings and shall seek external advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to seek independent professional advice whenever deemed necessary. The secretary of the Board shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings. Draft and final versions of Board minutes have been sent to all Directors for their comment and records respectively within a reasonable time after the board meeting.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

The Company Secretary, Ms. Wong Wai Yee Ella, is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regarded to them when making decisions. The Company Secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations. During the year ended 31 December 2023, Ms. Wong Wai Yee Ella undertook not less than 15 hours of professional training to update her skills and knowledge.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including non-executive Director and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31 December 2023, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Attended Seminars or Briefing/Read Materials
Executive Directors	
Ms. Du Lina	✓
Mr. Li Feng	✓
Ms. Lin Le	✓
Non-executive Director	
Mr. Zhang Boyang	✓
Independent Non-executive Directors	
Ms. Zhou Hui	✓
Mr. Dong Hao	✓
Mr. Wen Yuanhua	✓

Ms. Lin Le and Ms. Du Lina were appointed as directors by the Company on 29 August 2023. They obtained legal advice referred to in Rule 3.09D of the Listing Rules from a firm of solicitors qualified to advice on Hong Kong law on 12 September 2023. They all confirmed their understanding of their obligations as directors of the Company.

BOARD INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct an annual review on its independence. A board independence evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2023, all Directors has completed the independence evaluation in the form of a questionnaire individually. The board independence evaluation report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for each financial period which gives a true and fair view of the financial position of the Group and financial performance and cash flows for that period and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. With the assistance of the Company Secretary, the Directors also ensure the publication of the consolidated financial statements of the Group in a timely manner.

The report of the external auditor of the Company, Mazars CPA Limited, with regard to their reporting responsibilities on the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 73 to 80 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

AUDIT COMMITTEE

Composition

The Company established an Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. As at 31 December 2023, the Audit Committee consisted of three independent non-executive Directors, namely Ms. Zhou Hui (chairperson), Mr. Wen Yuanhua and Mr. Dong Hao respectively. The Audit Committee meets twice a year on a half year basis, or more frequently if required.

Functions and Role

The primary functions of the Audit Committee are, inter alias, to assist the Board in fulfilling its overseeing responsibilities with respect to maintaining appropriate relationship with external auditor, and, to review the annual and interim report and other financial information provided by the Company to its shareholders, the public and other matters within the scope of the terms of reference. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In discharging its responsibilities, the Audit Committee performed the following work during the year of 2023:

(i) reviewed the effectiveness of audit process in accordance with applicable standards;

(ii) reviewed the consolidated financial statements and reports and the change in accounting principles and policies and assessment of potential impacts on the Group's consolidated financial statements;

(iii) reviewed the Group's risk management and internal control systems and discussed the relevant issues including financial, operational and compliance controls; and

(iv) reviewed the internal control matters reported by internal auditor and external auditor and ensure the Board will provide a timely response to the issues raised therein.

During the year ended 31 December 2023, four Audit Committee meetings were held and the record of attendance of individual member is listed out on page 43 of this annual report.

NOMINATION COMMITTEE

Composition

The Nomination Committee has been established with a defined terms of reference in consistent with the CG Code on 30 March 2012. As at 31 December 2023, the Nomination Committee consisted of one executive Director, namely Ms. Lin Le (the Chairperson), and three independent non-executive Directors, namely Mr. Wen Yuanhua, Ms. Zhou Hui and Mr. Dong Hao. The Nomination Committee meets at least once a year.

Functions and Role

The primary duties of the Nomination Committee are, inter alias, reviewing the structure, size and composition of the Board, making recommendations to the Board on Board succession, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Directors. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. In addition, the Company has also adopted a nomination policy on 28 January 2019 in sight of the new Listing Rules that came into effect on 1 January 2019. Please see page 40 of this annual report for further details.

The Nomination Committee is responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, past experience, qualifications, professional knowledge, personal integrity and time commitments of proposed candidates, including the independence status in the case of an independent non-executive Director, the Board Diversity Policy, the Company's needs and other relevant statutory requirements and regulations. During the year ended 31 December 2023, Ms. Lin Le was appointed as an executive Director and the Chairperson of the Company, and Ms. Du Lina was appointed as an executive Director.

During the year ended 31 December 2023, two Nomination Committee meetings was held for, inter alia, considering the retirement and re-election of the Directors at the annual general meeting, the appointment of Ms. Lin Le as an executive Director, the chairperson of the Board and the chairperson of the Nomination Committee, and the appointment of Ms. Du Lina as an executive Director. The record of attendance of individual member is listed out on page 43 of this annual report.

Nomination Policy

On 28 January 2019, the Company has adopted a nomination policy setting out the procedure for selection, appointment and re-appointment of directors containing the selection criteria to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Pursuant to the Nomination Policy, the Nomination Committee will nominate suitable candidates to the Board with the following selection criteria:

- Reputation for integrity
- Potential contribution to the Board in terms of qualification, skills, independence and experience in the business of the Company
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Nomination Committee may nominate candidates, and/or invite nominations of candidates from Board members, for consideration by the Nomination Committee prior to its meetings from time to time for casual vacancies and/or candidates to stand for election at a general meeting.

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

A shareholder can serve a notice to the Company Secretary of the Company within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting, and the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee has been established with written terms of reference in compliance with the CG Code. As at 31 December 2023, the Remuneration Committee members consisted of three independent non-executive Directors, namely Mr. Wen Yuanhua (chairman), Ms. Zhou Hui and Mr. Dong Hao. The Remuneration Committee meets at least once a year.

Functions and Role

The primary objectives of the Remuneration Committee include determining the remuneration policy, structure and remuneration packages of the Directors and senior management and make recommendations to the Board, and other related matters. The Remuneration Committee is responsible for establishing transparent procedures to develop such remuneration policy and structure which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee are responsible for reviewing the market conditions, time commitment, responsibilities, performance of individuals and any other relevant information and propose to the Board for consideration and approval. None of the executive Directors can determine his or her own remuneration.

During the year ended 31 December 2023, three Remuneration Committee meetings were held to review the existing remuneration policy and structure of Company, to review and recommend the remuneration of executive Directors and senior management for Board approval and to recommend the remuneration of Ms. Lin Le, the newly appointed executive Director and Chairperson of the Board, Ms. Du Lina, the newly appointed executive Director, and the grant of share awards to eligible employees. The record of attendance of individual member is listed out on page 43 of this annual report.

Emolument Policy

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement, for the Board approval.

The Company has adopted a share award plan as an incentive to Directors and eligible employees.

BOARD DIVERSITY POLICY

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

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

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.

As at the date of this Report, the Board has one female Director and as such has achieved gender diversity in respect of the Board. There are 19 female employees (including one female senior management) within the Group, representing approximately 37% of the Group's workforce. We will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the shareholders' expectation and recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in the near future.

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

During the year ended 31 December 2023, the Nomination Committee has reviewed the Policy to ensure its continued effectiveness.

DIVIDEND POLICY

The Company has a dividend policy which aims to set out the principles and guidelines to be applied in relation to the declaration and/or payment of dividends to its shareholders. The Board has the sole and absolute discretion to declare and distribute dividends to the shareholders of the Company and their decision will depend on the actual and expected financial performance of the Group, retained earnings and distributable reserves of the Group, the level of the Group's debt to equity ratio, return on equity and relevant financial covenants, the current and future operations, expected working capital requirements and future expansion plans, current market condition, future development plan, and any other factors that the Board deem appropriate. The declaration and the amount of the dividends will also be subject to any restrictions under the applicable laws and regulations and the Company's constitutional documents. The dividends policy will be reviewed by the Board from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

CORPORATE GOVERNANCE FUNCTION

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 30 March 2012 and is in compliance with the Code Provision A.2.1. During the year ended 31 December 2023, the Board has reviewed the policy of the corporate governance of the Company and the corporate governance report.

ATTENDANCE OF BOARD MEETINGS, AUDIT COMMITTEE MEETINGS, NOMINATION COMMITTEE MEETINGS, REMUNERATION COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING IN 2023

	Attendance/Number of Meetings Held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting held on 16 June 2023
Directors					
Executive Directors					
Du Lina *(Note 1)*	1/1	N/A	N/A	N/A	N/A
Li Feng	8/8	N/A	N/A	N/A	1/1
Lin Le *(Note 2)*	1/1	N/A	N/A	N/A	N/A
Tan Zhenyu *(Note 3)*	7/7	N/A	2/2	N/A	1/1
Ni Xinguang *(Note 4)*	4/4	N/A	N/A	N/A	
Non-executive Director					
Zhang Boyang	8/8	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Zhou Hui *(Note 5)*	8/8	5/5	2/2	3/3	1/1
Wen Yuanhua *(Note 6)*	8/8	5/5	2/2	3/3	1/1
Dong Hao *(Note 7)*	8/8	5/5	2/2	3/3	1/1

Notes:

1. Ms. Du Lina was appointed as executive Director on 29 August 2023 and had been a member of the Nomination Committee since 22 February 2024. Ms. Du resigned from directorship of the Company on 8 April 2024.

2. Ms. Lin Le was appointed as executive Director and the chairperson of the Nomination Committee on 29 August 2023. Ms. Lin resigned from directorship of the Company on 21 March 2024.

3. Mr. Tan Zhenyu resigned as executive Director and chairman and member of the Nomination Committee on 29 August 2023.

4. Mr. Ni Xinguang retired as executive Director on 16 June 2023.

5. Ms. Zhou Hui resigned as independent non-executive Director, chairperson and member of the Audit Committee and member of Nomination Committee and Remuneration Committee on 22 March 2024.

6. Mr. Wen Yuanhua resigned as independent non-executive Director, chairman and member of the Remuneration Committee and member of Audit Committee and Nomination Committee on 13 March 2024.

7. Mr. Dong Hao resigned as independent non-executive Director and member of the Audit Committee, Nomination Committee and Remuneration Committee on 13 March 2024.

AUDITOR'S REMUNERATION

During the year ended 31 December 2023, the fees paid or payable to external auditor of the Company, Mazars CPA Limited and its network firms in Hong Kong were HK$2,690,000 for statutory audit services rendered and HK$610,000 for non-statutory audit services and others rendered to the Group respectively. The non-statutory audit services and others represent review of interim financial statements and taxation service fees.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavors to maintain good investor relationship with the Shareholders and potential investors by way of annual general meeting, publication of interim and annual reports on the websites of the Company and the Stock Exchange, and timely press releases on the Company's website. A Shareholder's Communication Policy was adopted by the Board on 30 March 2012 aiming at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

Shareholders are encouraged to attend the annual general meetings for which a notice would be served properly. The Chairman and/or Directors are available to answer questions on the Group's business at the meetings. At general meetings, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong.

As part of its regular review, the Board has reviewed its policies in regard to the shareholders' communication for the year ended 31 December 2023 and is of the view that they are effective and adequately implemented.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Hong Kong Companies Ordinance and the Articles, an extraordinary general meeting can be convened by a written request signed by the Shareholders holding not less than one-twentieth of the paid-up share capital of the Company, stating the objects of the meeting, and deposited at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong.

Procedures for putting forward Proposals at a General Meeting

A Shareholder shall make a written requisition to the Board or the Company Secretary at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong or send email to ir@chinavered.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the Code Provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

Internal Control Review by independent internal control consultant

Crowe (HK) Risk Advisory Limited ("**Crowe**") was engaged by the Company as independent internal control consultant (the "**Independent Internal Control Consultant**") on 29 August 2022 to conduct an internal control review (the "**Internal Control Review**") for the purpose of evaluating the effectiveness and efficiencies of the internal control environment of the Group, and to recommend improvements and/or measures to strengthen the internal control system.

Crowe has completed the Internal Control Review and follow-up review on the measures adopted by the Company and issued an internal control review report (the "**Internal Control Review Report**"). Having considered the Internal Control Review, the Internal Control Review Report and the measures implemented by the Group, details of which were set out in the announcement of the Company dated 28 April 2023, both the audit committee of the Company and the Board are of the opinion that the measures recommended by Crowe in the Internal Control Review has been implemented and are adequate to address the findings in the Internal Control Review Report.

Please refer to the announcement of the Company dated 28 April 2023 for the key findings of the Internal Control Review and remedial actions taken by the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Feng ("Mr. Li"), aged 45, has been appointed as the Chief Executive Officer of the Company since 30 September 2022 and has directorship in a number of subsidiaries of the Company. Prior to joining the Group, Mr. Li was employed by Vered Holdings from 2017 to March 2022. Before joining Vered Holdings, Mr. Li was employed by China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) and held various positions from January 2003 to February 2016, including the account manager of the corporate business department of the Dalian branch, the product manager assistance of the corporate banking management department of the Dalian branch, general manager assistant of the Dalian branch of the trade finance department and the general manager of the corporate finance department of the Hong Kong branch.

Mr. Li graduated from Dongbei University of Finance and Economics (東北財經大學) in June 2011 with a master degree in business administration.

Mr. Xie Fang ("Mr. Xie"), aged 37, joined the Company as the head of risk management department in May 2021. He has been appointed as the Chief Risk Officer of the Company since 30 September 2022 and has directorship in a number of subsidiaries of the Company. Prior to this, Mr. Xie served as a senior manager, vice president and senior vice president of the risk management department of CITIC Securities Company Limited from July 2010 to February 2021.

Mr. Xie obtained his master's degree in computer science and technology from the Tsinghua University (清華大學) in 2010. Mr. Xie was certified as a qualified Financial Risk Manager by the Global Association of Risk Professionals in December 2017.

NON-EXECUTIVE DIRECTORS

Mr. Ng Kian Guan ("Mr. Ng"), aged 68, has over 30 years of experience in banking and finance with strong expertise in credit and marketing. He is an Independent Director of International Cement Group, a listed company listed on the Singapore Exchange. He was Senior Banker of Shanghai Pudong Development Bank from October 2021 to September 2022. He was the Deputy Chief Executive Officer of Maybank Singapore from August 2014 to June 2021, while serving simultaneously as the Head of Corporate Office from September 2011 to December 2018. Prior to this, he led and oversaw various portfolios at the bank including Corporate Banking, Risk Management, Remedial Management, and Group Credit Management.

Mr. Ng holds a Bachelor of Business Administration from the National University of Singapore. He also holds an Executive Diploma in Directorship from the Singapore Management University and Singapore Institute of Directors ("SID") and is an accredited director under the SID Accreditation Framework.

* *For identification purposes only*

Mr. Huang Yan ("Mr. Huang"), aged 47, obtained a bachelor's degree in accountancy from Yang En University.

Mr. Huang has over 15 years of working experiences in various corporations with roles in audit and supervision. From August 2022 to October 2022 and since August 2023, Mr. Huang was and is the director of the audit and supervision center of CMI, and the general manager of the audit and supervision center of China Minsheng Investment Co., Ltd* (中國民生投資股份有限公司) from November 2021 to August 2022. From July 2020 to November 2021, Mr. Huang worked at Yuexing Group Co., Ltd* (月星集團有限公司) as the chief risk officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Tai Sheung ("Mr. Cheng"), aged 47, obtained his Bachelor of Business Administration degree from the Chinese University of Hong Kong. He is also a Chartered Financial Analyst, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Accountants.

Mr. Cheng has been serving as managing director of the corporate finance department of Opus Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") and managing director of Opus Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO since February 2023. Prior to that, he worked as managing director and head of investment banking at Ever-Long Securities Company Limited from2019 to 2021. From 2014to2019, Mr. Cheng worked at RHB Capital Hong Kong Limited, with his last position held as managing director and head of investment banking. Mr. Cheng possesses over 20 years of experience in the fields of auditing, finance, investment banking and capital markets. He has been a licensed person for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2005.

Mr. Sun Junchen ("Mr. Sun"), aged 35, has been serving as the vice president of investment development of Newborn Town Inc., a company listed on the Stock Exchange (stock code: 9911), since April 2023, and is primarily responsible for its innovative business. Prior to this, Mr. Sun worked at PricewaterhouseCoopers Zhong Tian LLP Tianjin Branch (普華永道中天會計師事務所(特殊普通合夥)天津分所) from October 2011 to May 2015, with his last position held as a senior associate. From May 2015 to October 2015, he worked at Shenwan Hongyuan Securities Co., Ltd. Beijing Branch (申萬宏源證券有限公司北京分公司), with his last position held as a senior manager. From October 2015 to February 2017, he worked at MicroMedia Holdings Limited* (北京簡網世紀科技有限公司), with his last position held as the finance director. From February 2017 to April 2023, he worked at Beijing BlueCity Information & Technology Co., Ltd.* (北京藍城兄弟信息技術有限公司), with his last position held as the chief financial officer.

Mr. Sun obtained his bachelor's degree in accountancy in June 2011 from the Tianjin University of Finance and Economics (天津財經大學). He obtained his master's degree in business administration from the Peking University (北京大學) in July 2018. He was also accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2015.

* *For identification purposes only*

Mr. Ko Ming Tung, Edward ("Mr. Ko"), aged 63, has more than 32 years of experience in the legal profession. Mr. Ko is the principal of Messrs. Edward Ko & Company. Mr. Ko has also been serving as an independent non-executive director of Sinofert Holdings Limited (stock code: 297) since April 2000, EverChina Int'l Holdings Company Limited (stock code: 202) since April 2009 and Chia Tai Enterprises International Limited (stock code: 3839) since September 2014, which are companies listed on the Stock Exchange. Previously, Mr. Ko also served as an independent non-executive director of Sterling Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1825) from September 2018 to November 2021.

Mr. Ko obtained his external bachelor's degree in laws from the University of London in the United Kingdom in August 1986. He was admitted as a solicitor of Hong Kong in March 1991.

Mr. Wong Ka Wai ("Mr. Wong"), aged 44, has been serving as an independent non-executive director of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Co., Ltd. (stock code: 1379) since May 2022 and Jujiang Construction Group Co., Ltd. (stock code: 1459) since August 2015, which are companies listed on the Stock Exchange. Mr. Wong served as the chief financial officer and company secretary of Ruifeng Power Group Company Limited, a company listed on the Stock Exchange (stock code: 2025), from May 2017 to June 2023. From February 2017 to June 2017, he served as an independent non-executive director of Green International Holdings Limited, a company listed on the Stock Exchange (stock code: 2700). From January 2013 to March 2017, he served as the Chairman of Jai Dam Distribution (Hong Kong) Co. Ltd., and was responsible for the business development and management of the French Brand "Jai Dam" in the region of Greater China and managing the sub-distributors of Jai Dam Distribution (Hong Kong) Co. Ltd. in Beijing and Shanghai. From November 2011 to December 2012, he worked at PricewaterhouseCoopers Singapore branch, with his last position held as a manager of the individual tax business unit. From November 2010 to September 2011, he worked at BASF East Asia Regional Headquarters Limited, with his last position held as a manager. From January 2008 to May 2010, he worked at the Shanghai office of Ernst & Young, with his last position held as manager in the tax human capital-PRC department. From July 2006 to January 2008, he worked at Ernst and Young, with his last position held as a senior accountant in the tax department. From September 2001 to May 2004, he worked at KPMG, with his last position held as a tax consultant.

Mr. Wong obtained his bachelor's degree in accountancy in November 2001 from the City University of Hong Kong. He obtained his bachelor's degree in laws from the University of London in the United Kingdom in August 2007. He was also admitted as a member of the Association of Chartered Certified Accountants (ACCA) in October 2009.

CONTENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This Environmental, Social and Governance Report (the "**ESG Report**") summarizes the performance of China Vered Financial Holding Corporation Limited and its subsidiaries (collectively the "**Group**" or "**we**") in the areas of corporate social responsibility and sustainable development.

Reporting Scope

Unless otherwise stated, the Report covers an overview of the Group's overall performance in two subject areas, namely, Environmental and Social aspects of the Group's business operations, in its Hong Kong office, including asset management services, securities brokerage services and investment holding from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"). The reporting scope of this Report remains consistent with last year's report.

As the Group's business operations in Tokyo, Canada and Shenzhen are relatively small in scale, accounting for no more than 20% of the entire Group's revenue, they are excluded from the reporting scope.

Reporting Principles

The Group predominantly follows the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") outlined in Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), with a view to creating a robust Environmental, Social, and Governance ("**ESG**") framework.

For information regarding the Group's corporate governance, please refer to the "Corporate Governance Report" section.

The sustainability disclosure and contents of the Report adhere to the principles of "Materiality", "Quantitative", "Consistency" and "Balance" as defined in the ESG Guide.

Materiality	Based on the issues in the ESG Guide, ESG issues that have a significant impact on the Group have been identified through stakeholder engagement and materiality assessment, and relevant disclosures have been made in the Report according to the priority. For details of the stakeholder engagement, please refer to the section headed "Stakeholder Engagement" and "Materiality Assessment".
Quantitative	The key performance indicators ("**KPIs**") have been recorded and disclosed in quantitative terms where practicable. Where necessary, the Report will detail the standards, methods, assumptions, calculation references and sources of key conversion factors used for KPIs.
Balance	The Report presents our overall ESG performance during the year to all stakeholders in an objective and impartial manner.
Consistency	Unless otherwise stated, the disclosures and statistical methods used in the Report are consistent with those used in the previous financial year to ensure meaningful comparisons. For any changes that may affect comparisons with previous reports, the Group will annotate the relevant parts with explanatory notes.

Stakeholder Engagement

The Group is aware of the importance of regular communication with stakeholders to help us better understand and respond to their expectations and priorities regarding sustainable development strategies. The Group communicates with key stakeholders through daily interaction to understand their concerns and expectations on ESG issues via various communication channels such as meetings, e-mails and phone calls. The details of various communication channels between the Group and stakeholders are shown in the following table:

Stakeholders	Means of communications
Shareholders	• Shareholders' annual general meetings and other shareholders' meetings • Annual reports, interim reports, periodic announcements and circulars
Clients	• Company's website • E-mails, direct conversations, phone calls or meetings • Customer service hotline
Business partners	• Company's website • E-mails, direct conversations, phone calls or meetings
Employees	• Meetings • Internal announcements and notices • Performance review • Staff training
Regulatory authorities	• Ad-hoc enquiries • Regulator's inspection • Regular publications and information disclosure
Community	• Company's website • Company's announcement • Community engagement

We attach great importance to the valuable opinions and suggestions of our stakeholders and hope to use them to improve our sustainable development performance and enrich the content of future reports. The Group welcomes stakeholders' opinions on our ESG policies and performance. Please send your suggestions or comments to the following email address: ir@chinavered.com.

Materiality Assessment

The Group conducts materiality assessments every year to identify ESG issues that are material to our business operations. We invite each stakeholder to fill in an online questionnaire to determine the relevance and importance of each issue to the Group's business operations and the stakeholders themselves. Based on the materiality of each of the ESG topics expressed by the stakeholders, the ESG topics are prioritised and shown in the materiality assessment matrix below. The topics in the upper right corner of the matrix are defined as topics that matter most to the Group's business operations and our stakeholders as far as they are concerned.

Identification

- Select the ESG issues that the Group and its stakeholders may reasonably consider to be important from a variety of sources, including Listing Rules requirements, industry trends and internal policies.

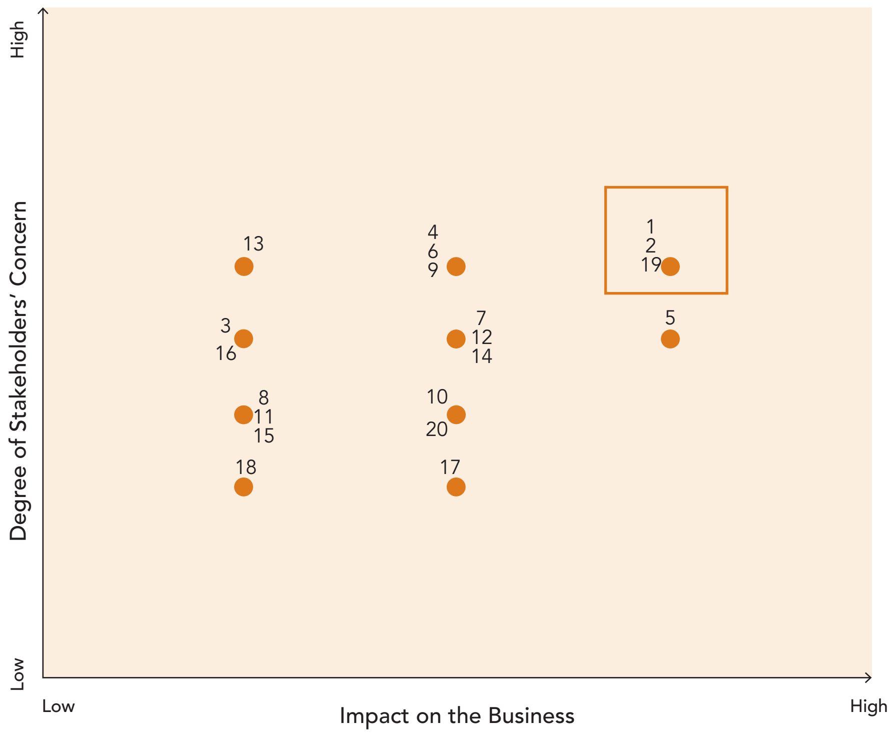
Engagement

- Conduct online opinion surveys on important issues to collect opinions from stakeholders.

Analysis & Evaluation

- Prioritise the most material ESG topics by materiality assessment
Review the result of materiality assessment to formulate more relevant and efficient short-term and long-term ESG development strategies.

Materiality Matrix



Product and Service Responsibility	Employment	Environment	Operating Practices	Community Contribution
1. Product and service quality	4. Diversity and equal opportunities	10. Emission of exhaust gases	17. Supply chain management	20. Community investment
2. Customer service and level of satisfaction	5. Employment relationship and communication	11. Waste management	18. Social responsibility of the supply chain	
3. Intellectual property protection	6. Occupational safety and health	12. Carbon emissions and energy consumption management	19. Anti-corruption	
	7. Training and development	13. Use of water resources		
	8. Prevention of child labour and forced labor	14. Sewage discharge		
	9. Employee welfare	15. Climate change		
		16. Green procurement		

During the Reporting Period, through materiality assessment, the Group has identified the 3 most material topics as product and service quality, customer service and level of satisfaction, and anti-corruption. The Group will continue to identify areas of improvement for the major issue areas and maintain close communication with its stakeholders to share and exchange opinions for advancing the Group's ESG management.

The Board Statement and Sustainable Governance

The Group is committed to integrating ESG factors into its operations, with a view to creating sustainable value for stakeholders, reducing its environmental footprint, and fulfilling its corporate citizenship responsibilities.

The Board is fully responsible for ensuring the effectiveness of the Company's ESG strategies and report so that the Group can operate its business in a responsible and sustainable manner. Meanwhile, the Board of Directors is also responsible for formulating sustainable development policies and goals, providing strategic guidance for the implementation of sustainable development, and reviewing ESG goals and progress through regular evaluation of ESG performance.

The Group has established an ESG working group to assist the Board of Directors in coordinating the Group's ESG management, formulating relevant ESG goals, collecting relevant data and information and reporting to the Board of Directors on a regular basis. The working group is composed of heads of multiple departments, including the Human Resources Department, Administration Department, Internal Audit Department, Risk Management Department, Board of Directors Office and Finance Department, etc.

ESG Risk Management

The Board of Directors assumes overall responsibility for the Group's ESG risk management. In order to effectively manage ESG-related risks (including climate change, environmental and social risks in the supply chain), we embed sustainable development factors into our business activities. In order to better respond to the risks brought by sustainable development trends and achieve long-term stable growth of assets, we pay close attention to and monitor risks related to sustainable development, integrate ESG concepts into daily operation and management processes, promote ESG investment, and launch green financial services. Each department and the ESG working group identify ESG risks through different channels, historical data, future forecasts, cases, and information from other domestic and foreign companies in the same industry, and jointly monitor and report ESG risks that are significant to the Group through department meetings. The Board of Directors will be informed of important changes or updates to the ESG risk profile through meetings.

Supporting the United Nations Sustainable Development Goals

The Group fully supports the realization of the 17 Sustainable Development Goals ("**SDGs**") that were adopted by United Nations member states in 2015 as a universal call to action to eradicate poverty by 2030, protect the planet, and ensure that all people can enjoy peace and prosperity. .

The Group has established eight goals that are most relevant to our business and sustainable development strategy. Over the long term, the Group is working to explore ways to strengthen sustainable development and contribute to the goals of the United Nations. After reviewing the Group's business strategy, eight specific goals were drawn up and set out as follows:

SUSTAINABLE DEVELOPMENT GOALS

Goals	Description	Corresponding Issues
SDG 3 Good Health and Well-being	Ensure healthy lives and promote well-being	Employment and Labour Practices; Community Investment
SDG 4 Quality Education	Ensure inclusive and quality education and promote lifelong learning	Development and Training
SDG 7 Affordable and clean energy	Ensure access to affordable, reliable and sustainable modern energy for all	Environment
SDG 8 Decent Work and Economic Growth	Promote inclusive and sustainable economic growth, employment and decent work	Employment and Labour Practices; Community Investment
SDG 10 Reduced Inequalities	Reduce inequality within and among countries	Employment and Labour Practices
SDG 12 Responsible Consumption and Production	Ensure sustainable consumption and production patterns	Supply Chain Management; Environment
SDG 13 Climate Action	Take urgent action to combat climate change and its impacts	Climate Change
SDG 16 Peace, Justice and Strong Institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Anti-corruption and Combating Money Laundering

ENVIRONMENTAL

The primary business activities of the Group do not have a significant impact on the environment or natural resources. Nonetheless, the Group is committed to operating its business in an efficient and sustainable manner by reducing the use of energy and other resources to improve our environmental performance.

During the Reporting Period, the Group recorded no violations in relation to air or greenhouse gas emissions, discharge of pollutants to water and land, or generation of hazardous and non-hazardous waste. The Group will continue to comply with all relevant laws and regulations, such as the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong).

Climate Change

Having been aware of the rising frequency of extreme weather events that may disrupt the supply chain and affect business operations, the Group has identified the following climate-related risks that mainly affect the Group in order to improve our ability to cope with and adapt to climate change.

Type of Climate Risk	Risk Description	Coping Measures
Physical Risk		
Acute Physical Risk:		
Extreme weather	Extreme weather events such as typhoons, storm surges, heavy rains may cause employee injuries, power outages, supply chain disruptions and damage to the Group's assets.	During extreme weather events, employees are advised to remain in a safe place until it is safe to resume normal activities.
Transition Risk:		
Tightening of climate-related policies	Efforts made to fulfill tightening environmental policies may incur costs and leading to rising operating costs.	Continuously monitor changes in environmental policies to ensure that the Group meets the expectations of regulatory agencies and complies with environment-related laws and regulations.
Change in customers' behaviour	Customer behaviour and preference are changing. Failure to meet their expectations for climate risk management and targets can lead to a loss of customers and revenue.	Proactively conduct research on low-carbon technology trends in the financial industry and develop smart technologies to enhance financial service efficiency, improve service capabilities, and avoid excessive use of resources in financial operations. Meanwhile also actively plan to promote green financial services to meet future market demand for green services.

Emissions

Air Emissions

The air pollutant emissions directly generated by the Group primarily come from vehicles. The air emissions generated are mainly nitrogen oxides ("**NOx**"), sulfur oxides ("**SOx**") and d respirable particulate matter ("**PM**").

Greenhouse Gas Emissions

The Group's direct greenhouse gas emissions mainly come from the use of vehicles, while indirect emissions come from greenhouse gases generated by office electricity consumption and paper consumption. We are committed to regularly monitoring the Group's energy consumption and identifying areas for energy conservation to encourage emission reductions. The Group's carbon footprint mainly comes from indirect greenhouse gas emissions generated from electricity consumption. The Group has set a goal to reduce greenhouse gas emission intensity by 10% (in tCO_2e/m^2) within 10 years starting from 2022. The Group is committed to continuously reviewing and improving greenhouse gas emission reduction measures to achieve this long-term goal.

The Group has currently implemented the following energy-saving measures to reduce greenhouse gas emissions:

- Use energy-efficient electrical equipment whenever possible according to the energy efficiency levels of the Hong Kong Electrical and Mechanical Services Department's Mandatory Energy Efficiency Labeling Scheme ("**Mandatory Labeling Scheme**");
- Turn off unnecessary lighting, electrical appliances (such as computers and printers) and air conditioners when not in use to avoid wasting energy;
- Use natural light whenever possible;
- Avoid overcooling offices and set air conditioning to 25 degrees Celsius wherever possible.

Waste Management

Due to the nature of the Group's business and its office-based operations, it does not generate hazardous waste. During the Reporting Period, the non-hazardous waste we generated was mainly office waste paper. We encourage the implementation of the 4R environmental management model, which means waste reduction, waste utilization, recycling and replacement to cultivate a green culture. At the same time, we encourage our employees to use double-sided printing when printing internal documents and to minimize the use of paper in their daily work. We promote electronic circulation of documents, such as via email and the use of electronic files, to reduce paper waste. In addition to reducing waste paper at the source, the Group also encourages employees to recycle waste paper to enhance their environmental awareness.

The Group has set a target to reduce waste generation intensity by 20% (in kg/m^2) within 10 years starting from 2022. The Group is committed to continuously reviewing and improving waste reduction measures to achieve this long-term goal.

Use of Resources

Energy Consumption

The Group's main energy consumption comes from electricity consumption of office equipment and automobile oil consumption. Measures to reduce energy use are found in the "Greenhouse Gas Emissions" section. The Group has set a target to reduce the total energy consumption intensity by 20% (in MWh/m^2) within 10 years starting from 2022. The Group is committed to continuously reviewing and improving energy-saving measures to achieve this long-term goal.

Water Resources

During the Reporting Period, our water consumption was mainly used for office toilet flushing and cleaning purposes, and there have been no problems related to obtaining water sources. The fresh water used by the Group is supplied by the Hong Kong Water Supplies Department. Since the Group's Hong Kong business operates in rented office space, the water supply and drainage are under the control of the building management office. The relevant management office considers it necessary to provide water and drainage data or analysis to individual tenants. The table is not feasible. Therefore, we are unable to obtain and monitor our water usage data. The Group encourages employees to develop the habit of saving water. Water conservation signs are posted in the office to remind employees to use water appropriately.

The Group's business operations do not consume large amounts of water, and the water consumption data are not directly controlled by the Group, so no water conservation targets have been set.

Packaging Material

The Group's business operations do not involve the production of tangible goods. Therefore, there were no packaging materials used.

Environmental Performance Indicators

Hong Kong Stock Exchange ESG Guide Reference	Indicator	Unit	2023	2022
KPI A1.1 & KPI A1.2[1]	Nitrogen oxides (NO_x)	kg	1.18	1.49
	Sulphur oxides (SO_x)	kg	0.05	0.05
	Particulate matters (PM)	kg	0.09	0.11
	Direct emissions (Scope 1) — Vehicle fuel	tCO_2e	9.62	10.32
	Indirect emissions (Scope 2) — Purchased electricity	tCO_2e	111.99	110.58
	Other indirect emissions(Scope 3) — Waste paper landfill disposal	tCO_2e	2.88	2.48
	Total greenhouse gas emissions (Scope 1,Scope 2 and Scope 3)	tCO_2e	124.49	123.38
	Total intensity of greenhouse gas emissions (Scope 1, Scope 2 and Scope 3)	tCO_2e/m^2	0.08	0.07
KPI A1.4	Total amount of non-hazardous waste generated — paper	tonnes	0.6548	0.5164
	Total amount of non-hazardous waste disposal	tonnes	0.6000	0.5164
	Intensity of non-hazardous waste	$tonnes/m^2$	0.00036	0.00031
	Total amount of non-hazardous waste recycled	tonnes	0.0548	–
KPI A2.1	Indirect energy consumption — Purchased electricity	MWh	164.69	155.75
	Indirect energy consumption intensity	MWh/m^2	0.10	0.09
	Direct energy consumption — unleaded petrol	MWh	32.95	37.59
	Direct energy consumption intensity	MWh/m^2	0.02	0.02
	Total energy consumption	MWh	197.64	193.34
	Total energy consumption intensity	MWh/m^2	0.12	0.12

1 Air pollutant and greenhouse gas emission data are calculated with reference to the Hong Kong Stock Exchange's "How to Prepare Environmental, Social and Governance Reports — Appendix 2: Reporting Guidelines on Environmental Key Performance Indicators" or the emission coefficients from sources such as The Hong Kong Electric Company Limited.

SOCIAL

Employment and Labour Practices

The Group values its employees and is devoted to protecting employees' rights, treating them fairly and equally, supporting employees' career development and fostering a safe working environment. During the Reporting Period, the Group did not discover any major violations of employment and labour-related laws and regulations. We will continue to strictly abide by all applicable Hong Kong labour laws and regulations, such as:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Chapter 485, Laws of Hong Kong);
- Minimum Wage Ordinance (Chapter 608, Laws of Hong Kong);
- Employees' Compensation Ordinance (Chapter 282, Laws of Hong Kong); and
- Minimum Wage Ordinance (Chapter 608, Laws of Hong Kong).

In order to protect the basic rights and interests of employees, the Group has also formulated an "Employee Handbook" that clearly states in detail the attendance policies, remuneration, benefits, leave provisions, company regulations and disciplines, etc., and participates in the Mandatory Provident Fund Retirement Benefit Plan for eligible employees. The Human Resources Department is responsible for ensuring that employees fully understand the contents of the employee handbook before joining the company. The Group signs labour contracts with hired employees to ensure that employees understand their job positions, working hours, wages and benefits, etc.

Employee Distribution and Employee Turnover Rate

	2023	2022
Employee data		
By employment type		
Full-time	48	51
Part-time	–	–
By employee category		
Senior management	3	3
Middle management	1	2
Frontline and other staff	44	46
By gender		
Male	29	32
Female	19	19
By region		
Hong Kong	48	51
By age group		
18–25	2	1
26–35	11	14
36–45	26	27
46–55	6	7
56 or above	3	2
Total number of employees	48	51
Employee turnover rate[2]		
By gender		
Male	52%	13%
Female	32%	32%
By region		
Hong Kong	44%	20%
By age group		
18–25	50%	–
26–35	36%	43%
36–45	42%	11%
46–55	83%	–
56 or above	–	50%
Overall employee turnover rate	43.75%	19.61%

2 The turnover rate is calculated based on (the number of employees under his category who resigned during the Reporting Period/the total number of employees under this category as of December 31 of the reporting year) x 100%.

Diversity, Equality and Inclusion

The Group promotes a diverse and inclusive working environment and encourages employees from different backgrounds to grow together in the workplace. Within the Group, recruitment and promotion opportunities are fair and open to all employees without regard to age, gender, marital status, nationality, religion, political background and other similar factors. We strictly abide by laws and regulations on equal opportunities, including but not limited to the Disability Discrimination Ordinance, Sex Discrimination Ordinance, Family Status Discrimination Ordinance and Racial Discrimination Ordinance. The Group adopts a zero-tolerance attitude towards harassment in the workplace. Anyone involved in any sexual harassment or any form of discrimination will be subject to disciplinary action or dismissal. During the Reporting Period, we found no potential human rights risks in our operations.

Talent Recruitment and Benefits

The Group provides competitive remuneration, promotion prospects and welfare packages to attract and retain talents. The Group regularly reviews remuneration packages based on operating results, work experience and performance, and current economic and market conditions. The Group aims to recognize and motivate employees' contributions and performance, and support employees' career development and promotion within the Group. We make defined contributions in accordance with the Mandatory Provident Fund Schemes ("**MPF Scheme**") Ordinance for employees employed in Hong Kong who are eligible to participate in the MPF Scheme. In addition, the Group has been providing share option schemes to eligible employees (including directors) to reward their ongoing efforts and promote the positive development of employees and the entire Group. In addition to basic statutory holidays, employees also enjoy a five-day work schedule, paid annual leave, sick leave, paternity leave, maternity leave, wedding and funeral leave, etc.

Health and Safety

As employees are the Group's most important asset, our primary objective is to provide employees with a safe and healthy working environment as far as reasonably practicable. The Group strictly complies with all relevant provisions of Chapter 509 of the Occupational Safety and Health Ordinance. During the Reporting Period, no violations of relevant occupational health and safety laws and regulations that had a significant impact on the Group were found.

The Group's "Employee Handbook" covers regulations and guidelines related to health and safety, such as inclement weather arrangements, work health and safety regulations, medical and life insurance, computer use, no smoking, etc. At the same time, the Group has implemented the following health and safety measures in the workplace:

- Keep passages and stairs clear of obstructions;
- Conduct regularly fire drills;
- Equip offices with first-aid boxes and other medical supplies;
- Maintain adequate indoor air ventilation;
- Clean and sanitise office area to maintain a hygienic workplace;
- Provide medical and dental benefits;
- Offer annual body check-ups for all staff; and
- Prohibit smoking in workplaces.

The Group has not suffered any loss in working days due to work-related injuries in the past three reporting years, and the number of work-related fatalities has been zero in each of the past three reporting years.

Development and Training

The Group firmly believes that it is crucial to provide employees with appropriate and sufficient training, which will not only enhance their work performance, but also stimulate their work potential and promote teamwork spirit. The Group provides employees with appropriate training based on their work nature and positions to enhance their skills and keep abreast of the latest changes in laws, regulations and business environment. In order to encourage employees' personal development, the Group provides subsidies, arranges expense reimbursement and leaves for employees taking career-related examinations.

	2023	2022	Unit
Percentage of trained employees			
Total percentage of trained employees[3]	60.42	16.00	%
By gender[4]			
Male	58.62	80.00	%
Female	41.38	20.00	%
By employee category[5]			
Senior management	3.45	100.00	%
Middle management	–	–	%
General and technical staff	96.55	–	%
Employee training hours			
Total training hours	109	50	Hour
Average training hours per employee[6]	2.27	1.00	Hour
Average hours of training by gender			
Male	2.34	1.17	hour per employee
Female	2.16	0.66	hour per employee
Average hours of training by employee category			
Senior management	0.33	10.00	hour per employee
Middle management	–	–	hour per employee
General and technical staff	2.45	–	hour per employee

3 The percentage of trained employees is calculated as (total number of employees trained during the Reporting Period/total number of employees as of December 31 of the reporting year) x 100%.

4 The percentage of trained employees by gender is calculated as (total gender of trained employees/total number of trained employees during the Reporting Period) x 100%.

5 The percentage of employees trained by employee category is calculated as (total number of employees trained/total number of employees trained during the Reporting Period) x 100%.

6 The average number of training hours per employee is calculated as (total number of training hours during the Reporting Period/total number of employees as of December 31 of the reporting year) x 100%.

Labour Standards

Prevent the Use of Child Labour and Forced Labour

The Group has a zero-tolerance attitude towards the recruitment of child labour and forced labour. Interviewers must provide original ID cards and certificates for inspection. In order to avoid hiring forced labour, the Group signs employment contracts with candidates and provides working conditions in accordance with relevant labour laws and regulations. Once a violation is discovered, the Group will immediately terminate the employment contract and conduct an investigation. Further follow-up actions will be taken if necessary.

During the Reporting Period, the Group did not identify any serious violations of the Employment Ordinance, the Employment of Children Regulations or other relevant laws and regulations on the prevention of child labour or forced labour.

Operating Practices

Supply Chain Management

The Group is committed to minimizing potential environmental and social risks in the supply chain. We are committed to implementing strict procurement procedures and selecting suppliers through a transparent and fair procurement process. The Group's suppliers include trading platforms, financial information solution service providers, financial and consulting service providers, etc. During the process of selecting suppliers, we will consider the following aspects:

- Suppliers' environmental and social risks;
- Integrity, competence and industry experience;
- Quality of goods and services; and
- Price etc.

During the Reporting Period, the Group's suppliers were distributed by region as follows:

Region	Number of suppliers	
	2023	2022
Hong Kong	**37**	19
China	**2**	–
Total	**39**	19

The Group will only select suppliers and partners with good business records in the past and no serious violations of regulations or business ethics.

Product Services and Responsibilities

Protect Customer Privacy

The nature of our business requires us to collect, retain and use the personal data of existing customers on a regular basis. Therefore, we must comply with fair data practices as stipulated in the data protection principles of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong). In order to protect personal data, the Group has formulated an "Information Technology Management System" based on relevant regulations to ensure compliance with relevant laws and regulations. This policy clearly outlines the procedures for accessing, transmitting and managing customer information to prevent improper disclosure or misuse of customer information. In addition, the Group has also implemented information system control, standardized the use and storage of data, and regularly maintained the information system to prevent unauthorized persons from intruding and obtaining relevant customer information. The Group has signed confidentiality agreements with relevant personnel to maintain the security of customer information and transaction confidentiality. The Group will only collect personal information necessary for the conduct of business and such information will not be used for purposes without the consent of the relevant persons. Personal data will not be transferred or disclosed to non-members of the Group or the public.

During the Reporting Period, we were not aware of any non-compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Service Quality and Complaint Handling

Service quality has always been the paramount aspect of the Group's operations. The Group continues to provide quality services to meet customers' expectations and satisfy them. The Group has established procedures to ensure the compliance of business processes and service quality, and to conduct necessary due diligence on customers. The Group prohibits dishonest and deceptive statements of any kind. All marketing materials must be based on facts and do not contain any biased opinions intended to mislead customers into making purchases. The Group is responsible for ensuring that the content of all marketing materials and statements is true and accurate. Before making any investment recommendations to customers, an investment risk profile assessment must be conducted to ensure that the recommended investment products are most in line with the customer's own investment risk profile.

The Group has a complaint handling procedure in place, whereby all customers can make complaints through email, letters and telephone. Complaints received will be handled by the relevant responsible personnel or department heads. The Group will regularly review complaints received and take remedial measures to prevent similar complaints from recurring.

During the Reporting Period, the Group did not receive any major service-related complaints.

Protect Intellectual Property

The Group strictly abides by the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and other relevant laws and regulations. We develop standardized procurement processes to standardize the procurement of office software and hardware, ensuring that only software, hardware and hardware with formal copyrights are used. During the Reporting Period, we did not receive any complaints regarding intellectual property infringement.

Anti-corruption and Combating Money Laundering

We are well aware that financial crimes can have significant consequences for our Group. The Group adopts a zero-tolerance policy against financial crimes such as corruption, bribery, extortion, fraud, money laundering, insider trading, monopoly and competitive behavior. The Group strictly requires employees to abide by the "Code of Conduct for Persons Licensed or Registered by the Securities and Futures Commission" and the "Anti-Money Laundering and Counter-Terrorist Financing Ordinance" (Chapter 615 of the Laws of Hong Kong) when conducting regulated financial business) and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), whereby employees are prohibited from providing false, deceptive or misleading information to customers and engaging in market misconduct such as insider trading, false trading, price manipulation, etc.

Furthermore, the Group provides its employees with guidance on preventing money laundering when providing services to customers through the "Guidelines on Combating Money Laundering and Counter-Terrorist Financing". During the Reporting Period, the Group also provided relevant anti-corruption training to directors and employees, including the CSRC's major revisions to the guidelines on combating money laundering and terrorist financing, how to identify and report suspicious transactions, and the consequences of non-compliance with anti-money laundering regulations, etc.

All employees can report any suspected corruption or money laundering and the identity of the reporter will remain anonymous and protected throughout the investigation process. We will seriously follow up on complaints related to ethics and integrity and thoroughly investigate suspicious cases. If any employee is found to have violated the Code of Conduct, we will immediately terminate the relevant employee's contract and reserve the right to take necessary legal action.

During the Reporting Period, the Group complied with laws and regulations on bribery, extortion, fraud and money laundering, and no reports of corruption or bribery incidents were received.

Community Investment

As a corporate citizen, the Group is committed to community contribution and fulfills its social responsibilities through participation in charitable activities. In order to cultivate a responsible corporate culture, the Group encourages employees to participate in volunteer activities. During the Reporting Period, even though the Group did not participate in community investment activities, it expects to make more commitments in community investment to improve social well-being in the future, such as by participating in compulsory education, environmental protection, community cleaning and other activities.

HONG KONG EXCHANGES AND CLEARING LIMITED ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators		Section
A. Environmental		
Aspect A1: Emissions		
General disclosures	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges to water and land, generation of hazardous and non-hazardous waste, etc.	Environmental
KPI A1.1	The types of emissions and respective emissions data.	Environmental Performance Indicators
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production, per facility).	Environmental Performance Indicators
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Not applicable to the Group's business
KPI A1.4	Total non-hazardous waste produced (in tonnes and, where appropriate, intensity (e.g. per unit of output, per facility).	Environmental Performance Indicators
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Greenhouse Gas Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management

Subject Areas, Aspects, General Disclosures and Key Performance Indicators		Section
Aspect A2: Use of Resources		
General Disclosures	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption (e.g. electricity, gas or oil) by type in total (calculated in thousands of kilowatt hours)and intensity (e.g. calculated per unit of production, per facility.	Environmental Performance Indicator
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production, per facility).	Water Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Resources
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not applicable to the Group's business
Aspect A3: The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Emissions Use of Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental
Aspect A4: Climate Change		
General disclosure	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
KPI A4.1	Describe the major climate-related issues that have and may have an impact on the issuer, and the response actions.	Climate Change

Subject Areas, Aspects, General Disclosures and Key Performance Indicators		Section
B. Social		
Employment and Labour Practices		
Aspect B1. Employment		
General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare.	Employment and Labour Practices Diversity, Equality and Inclusion Talent Recruitment and Benefits
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Distribution and Employee Turnover Rate
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Distribution and Employee Turnover Rate
Aspect B2: Health and Safety		
General Disclosure	Information on (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities in each of the past three years (including the reporting year).	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Subject Areas, Aspects, General Disclosures and Key Performance Indicators		Section
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards Prevent the Use of Child Labour and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards Prevent the Use of Child Labour and Forced Labour
KPI B4.2	Describe the steps taken to eliminate a violation when discovered.	Labour Standards

Subject Areas, Aspects, General Disclosures and Key Performance Indicators		Section
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policy for managing environmental and social risks in the supply chain.	Operating Practices
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management
KPI B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsiblity		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters concerning products and services provided and methods of redress.	Products Services and Responsibilities
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Service Quality and Complaint Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protect Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable to the Group's business
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protect Customer Privacy

Subject Areas, Aspects, General Disclosures and Key Performance Indicators		Section
Aspect B7: Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the prevention of bribery, extortion, fraud and money laundering	Anti-corruption and Combating Money Laundering
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption and Combating Money Laundering
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption and Combating Money Laundering
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption and Combating Money Laundering
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where we operate and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (such as education, environmental issues, labour needs, health, culture, sports).	Community Investment
KPI B8.2	Resources contributed to the focus area (such as money or time).	Community Investment

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TO THE MEMBERS OF CHINA VERED FINANCIAL HOLDING CORPORATION LIMITED

(incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

We have audited the consolidated financial statements of China Vered Financial Holding Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out on pages 81 to 171, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for Qualified Opinion

A. Comparability of the current year's figures and the corresponding figures for the year ended 31 December 2022 in the consolidated statement of profit or loss and statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity

The Group held an investment in an offshore fund (the "Fund") as disclosed in note 20 to the consolidated financial statements and an investment in a fund (the "Fund D") as disclosed in note 21 to the consolidated financial statements. We have previously qualified our opinion in respect of the Group's consolidated financial statements for the year ended 31 December 2022 as we were unable to obtain sufficient appropriate audit evidence to verify (a) the opening carrying value of the Fund as at 1 January 2022 and the timing of the relevant loss on investment recognised in relation to the Fund; and (b) the opening carrying value of the Fund D as at 1 January 2022 and the timing of the fair value loss recognised in respect of the impairment assessment on the underlying loans held by the Fund D. Therefore, we were unable to determine whether any adjustments to (a) the opening carrying value of the Fund as at 1 January 2022 and the relevant loss on investment recognised in respect of the Fund for the years ended 31 December 2021 and 2022; and (b) the opening carrying value of the Fund D as at 1 January 2022 and the fair value loss recognised during the years ended 31 December 2021 and 2022 in respect of the Fund D resulted from impairment assessment of the underlying loans, were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2022. Details of the qualified opinion were set out in the independent auditor's report in respect of the year ended 31 December 2022 dated 27 March 2023 which were included in the Company's 2022 annual report.

Because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2022 in the consolidated financial statements, our opinion on the consolidated financial statements for the year ended 31 December 2023 is also modified.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for Qualified Opinion *(Continued)*

B. Investment in an unlisted investment fund

As disclosed in note 20 to the consolidated financial statements, the Group invested in 50% interest in a fund (the "Fund F") which has been accounted for as financial asset at fair value through profit or loss as at 31 December 2023. The original cost of investment in the Fund F amounted to approximately HK$77,981,000. As at 31 December 2023, the carrying value of the Fund F was approximately HK$67,976,000 with a fair value loss of approximately HK$5,891,000 recognised in the consolidated statement of profit or loss during the year ended 31 December 2023 in respect of the Fund F.

As described in note 20 to the consolidated financial statements, the Group was unable to obtain sufficient financial information and the valuation of the underlying assets of the Fund F as at 31 December 2023 from an external fund manager. Because of the above scope limitation, we were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments were necessary on the carrying amount of the Fund F as at 31 December 2023 and the relevant fair value loss recognised in respect of the Fund F for the year ended 31 December 2023 and whether the related disclosure of investment in the Fund F is appropriate.

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 qualified opinion.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the 2023 annual report of the Company other than the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence regarding whether any adjustments were necessary on the carrying value of the Fund F as at 31 December 2023 and the relevant fair value loss recognised for the year ended 31 December 2023. Accordingly, we are unable to conclude whether or not the other information is materially inconsistent or misstated with respect to these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Basis for Qualified Opinion" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which were categorised as level 3	
Refer to notes 2.8, 3.5, 4.1, 20 and 21 to the consolidated financial statements. As at 31 December 2023, the Group held financial assets classified as fair value through profit or loss and financial assets at fair value through other comprehensive income with carrying value of approximately HK$2,245,492,000 and HK$108,762,000 respectively, which were categorised as level 3 in the fair value hierarchy. In assessing valuation of such assets, management exercise significant judgement on the selection of appropriate valuation techniques such as market approach, discounted cash flows and net asset value method which include unobservable inputs such as price to sales ratio, price to book ratio, discount rates, and liquidity discounts, etc We have identified the above matter as a key audit matter due to the materiality of the balances and the high degree of subjectivity and management judgement. Due to the fact that availability of market data and observable inputs is limited for these financial assets, management judgement is involved in both selection of appropriate valuation technique and unobservable inputs.	Our key procedures, among other, included: • Obtained an understanding of the management's internal control over the valuation of the financial assets categorised as level 3 and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Based on the results of risk assessments, involved our experts to review the reasonableness of the valuation by assessing the model, inputs and key assumptions adopted, as appropriate; • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuers and our experts; • Assessed the appropriateness of the valuation techniques based on our industry knowledge and the market practices; • Verified key inputs and information identified by management that were used in the valuation against the underlying source documentation, including external report relevant for valuation; and • Assessed the need of key valuation adjustments by challenging management on the appropriateness of key assumptions based on available information and facts and circumstances of these financial assets without quoted price in active market.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of expected credit losses ("ECL") of loan and interest receivables, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income	
Refer to notes 2.9, 3.2, 4.1, 21, 22, 23 and 25 to the consolidated financial statements. As at 31 December 2023, the Group had loan and interest receivables, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income of approximately HK$209,886,000, HK$54,776,000, HK$13,195,000, HK$2,412,000 and HK$36,511,000 respectively, after provision of ECL of HK$263,310,000, HK$63,566,000, HK$25,406,000, HK$137,966,000 and HK$592,750,000 respectively. The Group assessed whether the credit risk of loan and interest receivable, margin receivables, other interest receivables, financial assets at amortised cost and debt investments at fair value through other comprehensive income has increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL. In assessing the provision of ECL, management exercise significant judgement on the selection of unobservable data inputs to this three-stage impairment model including probability of default, exposure at default, loss given default and discount rate. We have identified the above matter as a key audit matter because it involves critical accounting estimates and judgements on management assessment and identification of significant changes in borrowers' and issuers' credit risks and selection of key unobservable inputs to the three-stage impairment model.	Our key procedures, among other, included: • Evaluated management's key control over the identification of significant changes in borrowers' and issuers' credit risk based on established criteria. The key controls are the watch list monitoring, staging allocation approval and review of quarterly credit monitoring reports by the risk function; • With the support of our expert assessed the application of key ECL model definitions, staging, model methodologies, key inputs and assumptions; • Evaluating the competence, capabilities and objectivity of our expert; • Assessed and challenged the reasonableness of the management judgement in determining the criteria for significant increase in credit risk, and definition of credit-impaired. We also tested the application of such criteria for the staging allocation; and • Tested the completeness and accuracy of key ECL data inputs on a sample basis by reviewing the counterparties' credit information such as credit risk ratings, overdue status and other relevant information.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is 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. We report our opinion solely to you, as a body, in accordance with Section 405 of the Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding whether any adjustments were necessary in respect of the carrying amount of the Fund F as at 31 December 2023 and the relevant fair value loss recognised for the year ended 31 December 2023 as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2024

The engagement director on the audit resulting in this independent auditor's report is:
Fong Chin Lung
Practising Certificate Number: P07321

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Interest income		76,241	194,900
Commission and fee income		26,760	30,463
Investment income		11,384	18,394
Total revenue	5, 6	114,385	243,757
Net gain/(loss) on financial assets/liabilities	7	81,810	(447,279)
Other loss		(7,047)	(12,742)
Trading costs		(2,299)	(11,790)
Staff costs and related expenses	11	(78,086)	(96,029)
Premises expenses		(12,497)	(17,490)
Legal and professional fees		(19,250)	(22,825)
Depreciation	15	(1,721)	(4,761)
Information technology expenses		(10,367)	(4,778)
Expected credit losses ("ECL")	9	(49,389)	(174,675)
Other operating expenses		(21,288)	(29,333)
Impairment of goodwill	16	–	(10,792)
Write-off/impairment of other intangible assets	17	(902)	(700)
Share of post-tax loss of associates	19	(7,195)	(39,440)
Finance costs	8	(1,398)	(1,991)
Loss before income tax	9	(15,244)	(630,868)
Income tax (expense)/credit	10	(8,317)	8,060
Loss for the year		(23,561)	(622,808)
(Loss)/profit attributable to:			
— Owners of the Company		(24,834)	(623,263)
— Non-controlling interests		1,273	455
		(23,561)	(622,808)
		HK Cents per share	HK Cents per share
Loss per share attributable to owners of the Company			
Basic loss per share	14	(0.08)	(1.89)
Diluted loss per share	14	(0.08)	(1.89)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Loss for the year		**(23,561)**	(622,808)
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value on equity instruments at fair value through other comprehensive income, net of tax	21	**(104,917)**	(201,266)
Items that may be reclassified subsequently to profit or loss			
Net change in fair value on debt instruments at fair value through other comprehensive income, net of tax	21	**(55,887)**	(110,864)
Net change in ECL allowances on debt instruments at fair value through other comprehensive income	21	**31,450**	179,289
Reclassified to profit or loss on disposal of debt instruments at fair value through other comprehensive income		**(85)**	6,866
Exchange differences on translation of foreign operations		**(13,344)**	(36,692)
Other comprehensive loss for the year, net of tax		**(142,783)**	(162,667)
Total comprehensive loss for the year		**(166,344)**	(785,475)
Total comprehensive (loss)/income for the year attributable to:			
— Owners of the Company		**(167,301)**	(785,110)
— Non-controlling interests		**957**	(365)
		(166,344)	(785,475)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	1,403	3,079
Right-of-use assets		2,444	10,743
Goodwill	16	5,079	5,079
Other intangible assets	17	–	902
Investments in associates	19	77,898	72,138
Rental and other deposits		3,130	3,130
Loan and interest receivables	25	79,900	–
Financial assets at fair value through profit or loss	20	2,096,875	1,906,019
Financial assets at fair value through other comprehensive income	21	336,434	376,103
Deferred tax assets	10	130,671	127,277
Total non-current assets		2,733,834	2,504,470
Current assets			
Margin receivables and other trade receivables	23	66,565	77,553
Other receivables, prepayments and deposits	24	66,005	30,934
Loan and interest receivables	25	129,986	117,723
Other interest receivables		13,195	22,354
Financial assets at fair value through profit or loss	20	387,672	487,814
Financial assets at fair value through other comprehensive income	21	16,013	59,361
Financial assets at amortised cost	22	2,412	35,562
Tax receivables		170	716
Deposits with brokers	26	213,008	99,427
Cash and cash equivalents	26	689,636	1,028,332
Total current assets		1,584,662	1,959,776
Total assets		4,318,496	4,464,246

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	**4,454,374**	4,454,374
Other reserves	30	**(216,963)**	(74,786)
Accumulated losses		**(255,035)**	(230,012)
		3,982,376	4,149,576
Non-controlling interests		**6,581**	5,624
Total equity		**3,988,957**	4,155,200
LIABILITIES			
Non-current liabilities			
Lease liabilities		**–**	2,619
Deferred tax liabilities	10	**5,805**	1,749
Total non-current liabilities		**5,805**	4,368
Current liabilities			
Accruals and other payables	27	**161,758**	107,273
Loan and interest payables	28	**27,639**	–
Financial liabilities at fair value through profit or loss	20	**6,925**	70,615
Current tax liabilities		**124,793**	118,064
Lease liabilities		**2,619**	8,726
Total current liabilities		**323,734**	304,678
Total liabilities		**329,539**	309,046
Total equity and liabilities		**4,318,496**	4,464,246
Net current assets		**1,260,928**	1,655,098
Total assets less current liabilities		**3,994,762**	4,159,568

Approved by the Board of Directors on 28 March 2024 and signed on its behalf by:

Li Feng
Director

Xie Fang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company											
	Share capital HK$'000	Capital reduction reserve HK$'000	Shares held for share award plan HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Investment revaluation reserve non-recycling HK$'000	Investment revaluation reserve recycling HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-Controlling Interests HK$'000	Total Equity HK$'000
Balance at 1 January 2023	4,454,374	140,850	(178,764)	726,699	(29,443)	1,542	(764,779)	29,109	(230,012)	4,149,576	5,624	4,155,200
Comprehensive(loss)/income												
(Loss)/profit for the year	–	–	–	–	–	–	–	–	(24,834)	(24,834)	1,273	(23,561)
Other comprehensive (loss)/income												
Net change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(104,917)	(55,887)	–	(160,804)	–	(160,804)
Net change in ECL allowances on debt instruments at fair value through other comprehensive income	–	–	–	–	–	–	–	31,450	–	31,450	–	31,450
Reclassified to profit or loss on disposal of debt instruments at fair value through other comprehensive income	–	–	–	–	–	–	–	(85)	–	(85)	–	(85)
Exchange differences on translation of foreign operations	–	–	–	–	(13,028)	–	–	–	–	(13,028)	(316)	(13,344)
Total comprehensive (loss)/income for the year ended 31 December 2023	–	–	–	–	(13,028)	–	(104,917)	(24,522)	(24,834)	(167,301)	957	(166,344)
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income to accumulated losses	–	–	–	–	–	–	(182)	–	182	–	–	–
Transactions with owners, recognised directly in equity												
Release of shares held for share award plan	–	–	472	–	–	–	–	–	(371)	101	–	101
Balance at 31 December 2023	4,454,374	140,850	(178,292)	726,699	(42,471)	1,542	(869,878)	4,587	(255,035)	3,982,376	6,581	3,988,957

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company											
	Share capital HK$'000	Capital reduction reserve HK$'000	Shares held for share award plan HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Investment revaluation reserve non-recycling HK$'000	Investment revaluation reserve recycling HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-Controlling Interests HK$'000	Total Equity HK$'000
Balance at 1 January 2022	4,454,374	140,850	(178,764)	726,699	6,429	1,542	(563,513)	(46,182)	393,251	4,934,686	5,989	4,940,675
Comprehensive (loss)/income												
(Loss)/profit for the year	–	–	–	–	–	–	–	–	(623,263)	(623,263)	455	(622,808)
Other comprehensive (loss)/income												
Net change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(201,266)	(110,864)	–	(312,130)	–	(312,130)
Net change in ECL allowances on debt instruments at fair value through other comprehensive income	–	–	–	–	–	–	–	179,289	–	179,289	–	179,289
Reclassified to profit or loss on disposal of debt instruments at fair value through other comprehensive income	–	–	–	–	–	–	–	6,866	–	6,866	–	6,866
Exchange differences on translation of foreign operations	–	–	–	–	(35,872)	–	–	–	–	(35,872)	(820)	(36,692)
Total comprehensive loss for the year ended 31 December 2022	–	–	–	–	(35,872)	–	(201,266)	75,291	(623,263)	(785,110)	(365)	(785,475)
Balance at 31 December 2022	4,454,374	140,850	(178,764)	726,699	(29,443)	1,542	(764,779)	29,109	(230,012)	4,149,576	5,624	4,155,200

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Cash flows from operating activities		
Loss before income tax	**(15,244)**	(630,868)
Adjustments for:		
Interest income	**(76,241)**	(194,900)
Dividend income	**(11,384)**	(18,394)
Depreciation of property, plant and equipment	**1,721**	4,761
Depreciation of right-of-use assets (included in premises expenses)	**8,299**	8,310
Loss on disposal of property, plant and equipment	**–**	2
Write-off of property, plant and equipment	**60**	1,391
Write-off of intangible assets	**902**	–
Impairment of goodwill	**–**	10,792
Impairment of intangible assets	**–**	700
Share of loss from investments accounted for using equity method	**7,195**	39,440
Share-based payment expense	**101**	–
ECL allowances	**49,389**	174,675
Net (gain)/loss on financial assets/liabilities	**(81,810)**	447,279
Finance costs	**1,398**	1,991
Foreign exchange loss on operating activities	**7,146**	15,377
Operating cash flows before movements in working capital	**(108,468)**	(139,444)
Change in margin receivables and other trade receivables, other receivables, prepayments and deposits	**(6,828)**	98,573
Change in loan receivables	**(95,451)**	43,489
Change in deposits with brokers	**(113,655)**	81,747
Change in accruals and other payables	**71,076**	36,454
Cash (used in)/generated from operations	**(253,326)**	120,819
Purchases of financial assets at fair value through profit or loss	**(467,302)**	(1,665,390)
Purchases of financial assets at fair value through other comprehensive income	**(170,728)**	(483,180)
Proceeds from disposal of financial assets at fair value through profit or loss	**374,557**	1,577,545
Proceeds from disposal of financial assets at fair value through other comprehensive income	**102,229**	693,905
Proceeds from disposal of financial assets at amortised cost	**29,305**	–
Proceeds from other financial liabilities at fair value through profit or loss	**20,500**	–
Settlement of other financial liabilities at fair value through profit or loss	**(13,575)**	–
Dividend received	**11,384**	18,394
Bank and other interest received	**54,552**	224,695
Interest paid	**(406)**	(5,290)
Income tax paid	**(312)**	(7,552)
Net cash (used in)/from operating activities	**(313,122)**	473,946

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Cash flows from investing activities			
Net cash outflow from derecognition of a consolidated investment fund	20	**(28,963)**	–
Purchases of property, plant and equipment		**(105)**	(95)
Proceeds from disposal of property, plant and equipment		**–**	2
Increase in investments in associates		**(902)**	(18,222)
Capital distribution received from an associate		**1,548**	–
Dividend received from an associate		**1,399**	–
Net cash used in investing activities		**(27,023)**	(18,315)
Cash flows from financing activities			
Net repayment of margin payables	36	**–**	(9,164)
Proceeds from/(repayment of) loan payables	36	**26,647**	(159,890)
Principal elements of lease rentals paid	36	**(8,726)**	(8,042)
Net cash from/(used in) financing activities		**17,921**	(177,096)
Net (decrease)/increase in cash and cash equivalents		**(322,224)**	278,535
Cash and cash equivalents at the beginning of the year		**1,028,332**	780,823
Effects of exchange rate changes		**(16,472)**	(31,026)
Cash and cash equivalents at the end of the year, represented by bank balances	26	**689,636**	1,028,332

1. GENERAL INFORMATION

China Vered Financial Holding Corporation Limited (the "Company") was incorporated in Hong Kong with limited liability. The address of its registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2023:

- Amendments to HKAS 8 , *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*
- HKFRS 17, *Insurance contracts*
- Amendments to HKFRS 17, *Insurance contracts: Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published but are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 *Consolidation* *(Continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post- acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.4 Segment reporting

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 of Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the executive directors as its chief operating decision maker.

2.5 Foreign currency translation

(a) 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 thousands of HK dollars ("HK$'000"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "Finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "Other (loss)/income".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, except that for non-monetary financial assets, such as equities, classified as financial assets at fair value through other comprehensive income, in which case with translation differences are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies (Continued)

(b) income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term of 2–3 years
Furniture, fixtures and office equipment	20%
Software	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (loss)/income" in the consolidated statement of profit or loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trading right and license

Separately acquired licences are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of reporting period.

2.8 Financial assets

Initial recognition and measurement

Financial assets within the scope of HKFRS 9 are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired and the contractual cash flows of the financial assets. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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

Assets are classified as current assets if expected to be realised within 12 months; otherwise, they are classified as non-current.

The Group's financial assets include margin receivables and other trade receivables, other receivables, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial assets at amortised cost, loan and interest receivables, deposits with brokers, pledged bank deposits and cash and bank balances.

Transfers between levels of the fair value hierarchy are deemed to be occurred at the beginning of the reporting period.

Subsequent measurement

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

(i) *Financial assets at fair value through profit or loss ("FVPL")*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss within "Net (loss)/gain on financial assets/liabilities" in the period in which they arise. These net fair value changes do not include any interest earned on these financial assets. Interest income is recognised in revenue on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the gross carrying amount of the financial asset.

Financial assets designated upon initial recognition at FVPL are designated at the date of initial recognition and only if the criteria under HKFRS 9 are satisfied.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

Subsequent measurement *(Continued)*

(ii) Financial assets at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loan receivables and some debt securities, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes the directly attributed transactions costs.

The Group may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be held for trading, the commitment to lend is recorded as a financial liabilities at fair value through profit or loss by initial recognition. When the Group intends to hold the loan, the loan commitment is included in the impairment calculations set out below.

(iii) Financial assets at fair value through other comprehensive income ("FVOCI")

(a) Debt instruments

Financial assets held for a business model that is achieved by both selling and collecting contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities. They are recognised on the trade date when the Group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the consolidated statement of profit or loss as "Net gain/(loss) on financial assets/liabilities".

(b) Equity instruments

The equity securities and investment funds for which fair value movements are shown in other comprehensive income are for business facilitation and other similar investments where Group holds the investments other than to generate a capital return. Otherwise, equity investments are measured at fair value through profit or loss. Gains or losses on derecognition of these equity investments are not transferred to profit or loss, except for dividend income which is recognised in profit or loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of amortised cost and debt investments at fair value through other comprehensive income

Expected credit losses ("ECL") are recognised for loan and interest receivables, margin receivables, financial assets at amortised cost, other interest receivables and debt investments at fair value through other comprehensive income. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ("12-month ECL"). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered to be "stage 1"; financial assets which are considered to have experienced a significant increase in credit risk are in "stage 2"; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in "stage 3". Purchased or originated credit-impaired financial assets (POCI) are treated differently as set out below.

Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible within the next 12 months ("12-month ECL") are recognised for financial instruments that remain in stage 1.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly have experienced a significant increase in credit risk, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the characteristics of the financial instrument, the borrower and their industries. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of client. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, corporate and commercial customers, and included on a watch or worry list are included in stage 2.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of amortised cost and debt investments at fair value through other comprehensive income *(Continued)*

Credit-impaired (stage 3)

The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

— contractual payments of either principal or interest are 90 days past due or above;

— there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and

— the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. For loans that are assessed for impairment on a portfolio basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions (including the potential impacts of COVID-19) at the reporting date.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active market, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.11 Financial liabilities

Financial liabilities measured at fair value through profit or loss refers to (i) shares of an unlisted consolidated investment fund held by parties other than the Group and (ii) other financial liabilities. The shares are classified as financial liabilities as they are puttable by the holders.

Except for financial liabilities measured at fair value through profit or loss, other financial liabilities including loan and interest payables, margin payables, trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

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.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. The Group applies the HKFRS 9 simplified approach to measure ECL which uses lifetime ECL allowance for all trade receivables.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.15 Collateral

Cash collateral provided by the Group is identified in the statement of financial position as "Deposit with brokers" and "Pledged bank deposits" and are not included as a component of cash and cash equivalents.

2.16 Segregated accounts

Segregated accounts maintained by the Group to hold clients' monies are treated as off statement of financial position items and are disclosed in note 26 to the consolidated financial statements.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend on ordinary shares is recognised as a liability in the consolidated financial statements in the period in which it is approved by the shareholders or directors where appropriate.

2.18 Loan payables and margin payables

Loan payables and margin payables are recognised initially at fair value, net of transaction costs incurred. Borrowings, including loan payables and margin payables, are subsequently carried at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of profit or loss as "Finance costs" over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Loan payables and margin payables are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loan payables and margin payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business. Trade payables are normally classified as current liabilities in normal operating cycle of business even if they are due to be settled more than twelve months after the reporting period.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.19 Trade payables *(Continued)*

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Repurchase agreements

The obligations under repurchase agreements arises when the securities re-pledged are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not required to be derecognised in the consolidated statement of financial position. The consideration received by the Group is recognised as "loan and interest payables" in the consolidated statement of financial position. The Group may be required to provide additional collateral based on the fair value of the underlying assets if necessary. Repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost.

2.21 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) *Deferred income tax* *(Continued)*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries, of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) are not used by the Company to reduce the existing level of contributions.

(b) *Employee level entitlements*

Employee entitlements to annual leave are recognised when they are accrued 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.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(c) Bonus

The Group recognises a liability and an expense for bonuses, in which the bonus scheme is at the discretion of the Group's Directors based on the Group performance that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to certain employees and Directors are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as expense.

(e) Other termination benefits

The Group recognises a liability and an expense for the remaining remuneration under the employment contract when the employees are voluntarily separated from the Company and they are not considered providing any future economic benefits to the Company.

2.23 Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.24 Revenue recognition

(a) Interest income

Interest income includes interest income from bond investment, note investment, loan lending, bank deposits and margin financing. Interest income for all interest-bearing financial instruments are recognised within "Interest income" in the consolidated statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(a) Interest income (Continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the gross carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

(b) Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) 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.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(b) Revenue from contracts with customers within HKFRS 15 *(Continued)*

Timing of revenue recognition (Continued)

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

The Group's revenue is recognised on the following basis:

Commission and fee income includes brokerage commission income, loan arrangement fee income, performance fee income, management fee income, underwriting fee income and advisory fee income.

Brokerage commission income on dealing in securities contracts is recognised on a trade date basis when the relevant transaction is executed.

Loan arrangement fees are recognised as revenue when the loan has been granted by the Group and accepted by the borrowers and the related arrangement services have been completed.

Performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period and it is determined that they are no longer highly probable of significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts. If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. Before including any estimated amount of variable consideration in the transaction price, the Group considers whether it is constrained based on the historical experience, business forecast and the current economic conditions.

Management fees are recognised as the services are performed over time and are primarily based on agreed upon percentage of the net asset values of the investment funds and managed accounts.

Underwriting commission income are recognised as revenue in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed.

Advisory fee income are recognised when advisory services are rendered.

Other fee income are recognised as revenue when the Group performs its role as an agent and when the corresponding services are rendered.

(c) Net investment income

Net investment income includes dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.25 Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For provision of advisory service, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed (i.e. the timing of revenue recognition for advisory fee income). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

2.26 Finance costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

Finance costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gain and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2.27 Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group accounts for each lease component within a lease contract as a lease separately. 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.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

As lessee (Continued)

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, 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, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	2 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

As lessee (Continued)

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

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

(b) the consideration for the lease 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.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

As lessee (Continued)

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to HKFRS 16: *Covid-19-Related Rent Concessions beyond 30 June 2021* and does not assess whether eligible rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management objective is to enhance shareholder value while retaining exposure within acceptable thresholds in response to changes in markets. The Group has a robust risk management system in place to identify, analyse, assess and manage risks.

The Group's risk management is carried out by the Risk Management Department under policies approved by the board of directors. The Group's Risk Management Department provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating credit risk, market risk, liquidity risk, capital management risk and risk limits setting and monitoring.

The Group's Investment Committee ensures that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on a regular basis to review and approve various investment projects to be committed by the Group, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Group.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk

3.1.1 Foreign exchange risk

The Group has certain exposures to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency, mainly US dollars ("USD"), Renminbi ("RMB"), Japanese yen ("JPY") and Canadian dollars ("CAD"). As USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ exchange rate. The directors have also assessed the impact of foreign currency risk and considered that it is insignificant to the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposures closely and will consider hedging significant foreign currency exposures should the need arise.

The following table indicates the impact of management's reasonable expectation on the movement in foreign exchange rate on the Group's loss before income tax and on investment revaluation reserve in equity as at 31 December 2023 and 2022:

As at 31 December 2023

	Impact on loss before tax HK$'000	Impact on investment revaluation reserve in equity HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	**+/- 9,884**	**-/+ 6,287**
If Hong Kong Dollar strengthens/weakens against JPY by 5%	**+/- 10,872**	**-/+ 11,912**
If Hong Kong Dollar strengthens/weakens against CAD by 5%	**–**	**-/+ 694**

As at 31 December 2022

	Impact on loss before tax HK$'000	Impact on investment revaluation reserve in equity HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	+/- 18,164	-/+ 6,712
If Hong Kong Dollar strengthens/weakens against JPY by 5%	+/- 7,170	-/+ 6,698
If Hong Kong Dollar strengthens/weakens against CAD by 5%	–	-/+ 916

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk *(Continued)*

3.1.2 Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as at fair value through other comprehensive income or at fair value through profit or loss. Some of the Group's equity investments are listed on stock exchange in the world and are valued at quoted market prices as at the reporting date.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's exposures are closely monitored by other relevant internal control units, including the Risk Management Department, the Finance Department, the Legal and Compliance Department and the Internal Audit Department.

Listed equity investments

The table below summarises the impact of changes in the Hong Kong's Hang Seng Index and other relevant indexes on the Group's loss before income tax for the year. The analysis is based on the assumption that the equity index had changed by 5% (2022: 5%) with all other variables held constant and all the listed equity instruments move according to the individual securities historical correlation with the index.

Hong Kong Hang Seng Index, Shenzhen Component Index and Shanghai Composite Index

	2023		2022	
	Impact on loss before tax HK$'000	**Impact on equity HK$'000**	Impact on loss before tax HK$'000	Impact on equity HK$'000
Increase/Decrease by 5%	**-/+3,306**	**+/-3,354**	-/+11,498	+/-5,009

Unlisted investment funds, unlisted equity investments, unlisted debt investments and convertible loan

The fair value of unlisted investment funds, unlisted equity investments, unlisted debt investments and convertible loan depend on the valuation of the respective investments or underlying investments. It is assumed that if the valuation had increased/decreased by 10%, loss before income tax for the year would have an estimated decrease/increase by HK$223,857,000 (2022: HK$196,819,000), and investment revaluation reserve in equity would have an estimated increase/decrease by HK$10,876,000 (2022: HK$14,665,000).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk *(Continued)*

3.1.3 Interest rate risk

The Group's exposures to the risk of changes in market interest rates relates primarily to the Group's loan and interest receivables, margin receivables, loan payables, bank borrowings, listed debt investments, unlisted notes, unlisted bond investments, and cash and bank balances.

As at 31 December 2023, the Group invests in fixed-income bond instruments which are classified as fair value through profit or loss and fair value through other comprehensive income, and therefore the Group is subject to interest rate risk. Interest rate risk is the risk that the value of the Group's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term fixed-income bond investments and higher for longer term fixed-income bond investments.

The following table illustrates the potential impact, of a parallel upward or downward shift of 50 basis points in relevant interest rates with all other variables remaining constant, on the Group's net loss and equity arising substantially from the increase/decrease in market value of debt securities:

	2023 **HK$'000**	2022 HK$'000
Impact on loss before tax	**+/–511**	+/–667
Impact on equity	**–/+764**	–/+701

The Group's investment in fixed-rate term loans, unlisted notes and bonds are of shorter duration and carried at amortised cost and therefore management consider they are not subject to fair value change as a result of change in reasonable possible shift of market interest rate.

Loans to margin clients at floating/variable rates (such as margin receivables) expose the Group to interest rate risk. Interest income on cash at banks and interest expense on borrowing will fluctuate at floating rates based on movement in short term bank interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable interest rate instruments. As at 31 December 2023, if the interest rate had been 50 basis points (2022: 50 basis points) higher/lower, the Group's loss before income tax would decrease/increase by HK$973,000 (2022: HK$4,507,000) and would not have impact to the Group's equity (2022: HK$Nil). The sensitivity analysis above is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2022: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk

Credit exposures arise principally from financial assets at fair value through profit or loss, financial assets at amortised cost, margin receivables, loan and interest receivables, deposits with brokers, bank balances, financial assets at fair value through other comprehensive income and client trust bank balances with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

Credit risk of the Group mainly arises from credit exposures with respect to margin financing business of the Group's securities brokerage business, investment in debt investments at fair value through other comprehensive income and the loan lending business of the Group. In addition, the Group is exposed to a concentration of credit risk on cash and investments at banks or custodians.

The Group minimises the credit risk by segregating the risk management function from the investment department. This provide a fundamental control to prevent fraud, ensure quality of works, and safeguard the Group's assets as well as integrity of books and records.

The Group manages its credit risk in the following perspectives:

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables

The Group maintains an effective credit risk management system to evaluate creditworthiness of counterparties. The following factors will be considered when determining the credit risk of loan receivables:

1. Counterparties' credit rating by reputable credit rating agencies;

2. Counterparties' investment objective, investment history, and risk appetite;

3. Counterparties' past record and defaults;

4. Counterparties' capital base, the existence and amount of guarantees, and by whom such guarantees are given;

5. Any known events which may have an adverse impact on the counterparties' financial status, potential for default or accuracy of information stored regarding the client; and

6. Where credit is extended to cover margin trading, appropriate haircuts are made to market value to establish the counterparty has adequate equity.

The Group monitors the cash flows from loan receivables to ensure that they are in accordance with mutually signed agreement and the expected timeline. In case there is delay, the Group will communicate with counterparties to identify if there is trigger event on credit risk issue.

The Group uses three categories for loans and interest receivables, margin receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables which reflect their credit risk and how the ECL allowance is determined for each of those categories. Please refer to note 2.9 for definition of these three categories.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

Margin Financing Business

Margin clients of the Group are required to pledge their security investments to the Group for the facilities for securities trading. The amount of facilities granted to them is determined by the discounted values of the shares and is monitored on an ongoing basis. The collateral for covering the credit risk exposure in case of default is subject to mark-to-market monitoring on a daily basis.

Default, margin call and forced liquidation procedures are in place for margin clients. When a customer's margin loan balance exceeds the credit limit granted, the Group will generate an alerter to help monitor its status and decide whether any additional collateral is required. The Group will take into consideration of various factors such as customers' background and the interest rate of loan, in particular, the loan-to-value ratio in excess of certain percentage in making requests for additional collateral.

No aging analysis is disclosed as, in the opinion of the Directors, it does not give additional view of the nature of margin finance business. The amount of credit facilities granted to margin clients is determined by the discounted market value of collateral accepted by the Group.

Loan Lending Business and Financial Assets at Amortised Cost

The Group assesses credit risk of loans to corporate clients and note receivables issued by the issuer by performing credit assessments, which are also subject to regular review and monitoring.

For the loans or note receivables guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

Risk Management Department provides regular credit management information reports and ad hoc reports to the Investment Committee to facilitate their continuous monitoring of credit risk. In addition, the Group identifies credit concentration risk by industry, geography, client and counterparty. The Group monitors changes to counterparty risk, quality of the credit portfolio and concentration risk, and reports regularly to the Group's Management. The Group adopts loan grading criteria which divides credit assets into three-stage ECL model under the requirement of HKFRS 9.

Debt Investments at Fair Value Through Other Comprehensive Income and Other Interest Receivables

Debt securities are classified as financial assets at fair value through other comprehensive income and at fair value through profit or loss. Other interest receivables mainly arise from the debt securities. The debt securities are mainly listed in The Hong Kong Stock Exchange and overseas exchanges. The Risk Management Department of the Group assesses the financial strengths and performance of the issuers to ensure the issuers satisfy the repayment of principal and interest as they fall due. The Investment Committee limits the size of the debt portfolio and limits the exposure to a single industry and issuer in order to control the credit risk. The Risk Management Department also closely monitors the changes in the credit ratings of the issuers and follows the market news for taking immediate actions if there is an indication of a deterioration of the repayment ability of the issuers.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Other Trade Receivables

For trade receivables arising from underwriting business, due diligence on client's business and repayment ability will be conducted before granting of credit. Corporate Finance Department will closely update the client's business change through frequent contact with client. Exit strategies are set in place before granting of each credit.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for other trade receivables arising from underwriting business and the identified impairment loss amounted to HK$2,800,000 for credit-impaired balance.

As at 31 December 2023, trade receivables arising from asset management business including management fee and performance fee receivables from two (2022: three) major investment funds and managed accounts amounted to HK$11,789,000 (2022: HK$17,969,000) which accounted for 100% (2022: 100%) of the total outstanding balance. Please refer to note 23 below for additional disclosures on credit risk.

Cash and Cash Equivalents

Cash and cash equivalents are placed in various authorised institutions and the Directors consider that the credit risk arising from cash and cash equivalents is minimal.

Three-Stage ECL Model under the requirement of HKFRS 9

The Group has five types of financial assets that are subject to the ECL model under HKFRS 9:

— Loan and interest receivables

— Margin receivables

— Financial assets at amortised cost

— Debt investments at fair value through other comprehensive income

— Other interest receivables

While cash and cash equivalents and other assets are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Determining Appropriate Models and Assumption of the Measurement of ECL

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since origination or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). PD, EAD and LGD are defined as follows:

— The PD represents the likelihood of a borrower defaulting on its financial obligation.

— EAD is based on the amounts the Group expects to be owed at the time of default.

— Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for 12-month or lifetime and for each individual exposure or collective segment. These three components are multiplied together. This effectively calculates the ECL for 12-month or lifetime, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

PD is driven by internal credit risk rating, observed historical data and macroeconomic variables. The relationship between PD and macroeconomic variables is developed by the statistical regression model and the lifetime PD is derived by input of forward-looking macroeconomic variables.

The 12-month and lifetime EADs are determined based on the expected payment profile and portfolios, which varies by product type.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Expected Credit Loss Methodology

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 rate and inflation rate.

The Group uses three-stage ECL model under the requirement of HKFRS 9 to reflect the credit risk and how the ECL is determined for each of those stage. Please refer to note 2.9 for definition of these three stages.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The "Baseline" scenario represents a most likely outcome and the other two scenarios, referred to as "Good" scenario and "Bad" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

The probability weight assigned for each scenario reflects the observed historical trend for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance.

The Group updates the macroeconomic factors used in the ECL model and the probability weight of economic scenarios on a semi-annual basis according to the latest available forecast/historical data issued by authoritative institutions.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables

The gross carrying amount of loan and interest receivables, margin receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables and thus the maximum exposure to loss, are as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000
Loan and interest receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	**97,186**	3,730
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**376,010**	374,259
Total gross loan and interest receivables	**473,196**	377,989
Less: ECL allowances	**(263,310)**	(260,266)
Loan and interest receivables, net of ECL	**209,886**	117,723
Margin receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	**54,779**	56,637
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**63,563**	63,563
Total gross margin receivables	**118,342**	120,200
Less: ECL allowances	**(63,566)**	(63,566)
Margin receivables, net of ECL	**54,776**	56,634
Financial assets at amortised cost		
Stage 1 — Unimpaired and without significant increase in credit risk	**–**	29,304
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**140,378**	140,037
Total gross financial assets at amortised cost	**140,378**	169,341
Less: ECL allowances	**(137,966)**	(133,779)
Financial assets at amortised cost, net of ECL	**2,412**	35,562
Debt investments at fair value through other comprehensive income		
Stage 1 — Unimpaired and without significant increase in credit risk	**20,498**	–
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**16,013**	60,349
Total debt investments at fair value through other comprehensive income	**36,511**	60,349
ECL allowances for debt investments at fair value through other comprehensive income	**(592,750)**	(561,300)
Other interest receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	**12,892**	12,395
Stage 2 — Significant increase in credit risk	**663**	569
Stage 3 — Credit-impaired	**25,046**	26,888
Total gross other interest receivables	**38,601**	39,852
Less: ECL allowances	**(25,406)**	(17,498)
Other interest receivables, net of ECL	**13,195**	22,354

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

The following table reconcile the movement in ECL allowances between the beginning and the end of the financial years:

As at 31 December 2023

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Loan and interest receivables				
ECL allowances as at 1 January 2023	–	–	260,266	260,266
Changes in inputs or assumptions	–	–	2,924	2,924
Net impact on ECL allowances of new loans	120	–	–	120
ECL allowances as at 31 December 2023	120	–	263,190	263,310
Margin receivables				
ECL allowances as at 1 January 2023 and 31 December 2023	3	–	63,563	63,566
Financial assets at amortised cost				
ECL allowances as at 1 January 2023	46	–	133,733	133,779
Changes in inputs or assumptions	–	–	4,233	4,233
ECL allowances derecognised during the year	(46)	–	–	(46)
ECL allowances as at 31 December 2023	–	–	137,966	137,966
Debt instruments at fair value through other comprehensive income				
ECL allowances as at 1 January 2023	–	–	561,300	561,300
Changes in inputs or assumptions	–	–	22,042	22,042
Net impact on ECL allowances of new financial assets purchased	254	–	9,154	9,408
ECL allowances as at 31 December 2023	254	–	592,496	592,750
Other interest receivables				
ECL allowances as at 1 January 2023	3	33	17,462	17,498
Changes in inputs or assumptions	–	–	9,263	9,263
ECL allowances derecognised during the year	(3)	(33)	(2,427)	(2,463)
Net impact on ECL allowances of other interest receivables accrued during the year	7	689	412	1,108
ECL allowances as at 31 December 2023	7	689	24,710	25,406

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

As at 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
Loan and interest receivables				
ECL allowances as at 1 January 2022	57	–	301,149	301,206
Changes in inputs or assumptions	–	–	(40,883)	(40,883)
ECL allowances derecognised during the year	(57)	–	–	(57)
ECL allowances as at 31 December 2022	–	–	260,266	260,266
Margin receivables				
ECL allowances as at 1 January 2022	7	–	63,563	63,570
Changes in inputs or assumptions	(4)	–	–	(4)
ECL allowances as at 31 December 2022	3	–	63,563	63,566
Financial assets at amortised cost				
ECL allowances as at 1 January 2022	126	–	99,238	99,364
Changes in inputs or assumptions	(80)	–	34,495	34,415
ECL allowances as at 31 December 2022	46	–	133,733	133,779
Debt instruments at fair value through other comprehensive income				
ECL allowances as at 1 January 2022	2,097	2,133	377,781	382,011
Transfer from Stage 2 to Stage 3	–	(1,557)	1,557	–
Changes in inputs or assumptions	–	–	181,962	181,962
ECL allowances derecognised during the year	(2,097)	(576)	–	(2,673)
ECL allowances as at 31 December 2022	–	–	561,300	561,300
Other interest receivables				
ECL allowances as at 1 January 2022	77	57	15,449	15,583
Transfer from stage 1 to stage 3	(1)	–	1	–
Transfer from stage 2 to stage 3	–	(25)	25	–
Changes in inputs or assumptions	–	–	3,842	3,842
ECL allowances derecognised during the year	(76)	(32)	(2,111)	(2,219)
Net impact on ECL allowances of new financial assets purchased	3	33	256	292
ECL allowances as at 31 December 2022	3	33	17,462	17,498

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business, Financial Assets at Amortised Cost, Debt Investments at Fair Value through Other Comprehensive Income and Other Interest Receivables *(Continued)*

Based on HKFRS 9 ECL assessment on margin receivables, loan and interest receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables, the Group recognised a provision for ECL allowances of HK$46,589,000 in profit or loss for the year ended 31 December 2023 (2022: HK$174,675,000).

Cash at Banks or Custodians

The Group's bank balances are deposited in reputable and large commercial banks. For the client trust bank balances which are held in segregated accounts, they are deposited in authorised financial institutions in Hong Kong. The credit risk of bank balances and client segregated bank balances are considered to be low. The Group has exposure to the concentration of credit risk from one bank of HK$225,040,000 (2022: HK$476,848,000) with a credit rating of BBB by Fitch (2022: BB+ by Fitch).

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

Internal credit rating	Description	Recognition of ECL
Non-watch list	The counterparty has a low risk of default and does not have any past-due amounts or has past due amounts but the payment has not been past due for 30 days (margin financing: no shortfall)	12-month ECL
Watch list	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or there is evidence indicating the asset is credit-impaired	Lifetime ECL
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount written off

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Cash and Investments at Bank or Custodian (Continued)

The table below details 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	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Margin receivables	23	N/A	Non-watch list	12- month ECL	54,779	56,637
			Watch list	Lifetime ECL (credit-impaired)	63,563	63,563
					118,342	120,200
Loan and interest receivables	25	N/A	Non-watch list	12- month ECL	97,186	3,730
			Watch list	Lifetime ECL (credit-impaired)	376,010	374,259
					473,196	377,989
Financial assets at amortised cost	22	N/A	Non-watch list	12- month ECL	–	29,304
			Watch list	Lifetime ECL (credit-impaired)	140,378	140,037
					140,378	169,341
Debt investments at fair value through other comprehensive income (Note 1)	21	"B or above (S&P)/ B2 or above (Moody's)"	Non-watch list	12- month ECL	20,498	–
		"B- or below (S&P)/B3 or below (Moody's)"	Watch list	Lifetime ECL (credit-impaired)	16,013	60,349
					36,511	60,349
Other interest receivables		"B or above (S&P)/B2 or above (Moody's)"	Non-watch list	12- month ECL	2,466	74
		"B- or below (S&P)/B3 or below (Moody's)"	Non-watch list	12- month ECL	10,215	12,321
		Unrated	Non-watch list	12- month ECL	211	–
		"B to B- (S&P)/B2 to B3(Moody's)"	Watch list	Lifetime ECL (not credit-impaired)	–	569
		Unrated	Watch list	Lifetime ECL (not credit-impaired)	663	–
		"B- or below (S&P)/B3 or below (Moody's)"	Watch list	Lifetime ECL (credit-impaired)	–	26,888
		Unrated	Watch list	Lifetime ECL (credit-impaired)	25,046	–
					38,601	39,852
Cash and cash equivalents (Note 2)	26	"BB or above (S&P)/Ba2 or above (Moody's)/BB or above (Fitch)"	N/A	12- month ECL	684,252	1,024,828
		Not rated	N/A	12- month ECL	5,384	3,504
					689,636	1,028,332
Deposits with brokers (Note 2)	26	"BB or above (S&P)/Ba2 or above (Moody's)"	N/A	12- month ECL	96,542	13,661
		Not rated	N/A	12- month ECL	116,466	85,766
					213,008	99,427
Other trade receivables	23	N/A	Non-watch list	12- month ECL	11,789	20,919
		N/A	Watch list	Lifetime ECL (credit-impaired)	2,800	–
					14,589	20,919
Other receivables, prepayments and deposits (Note 2)	24	N/A	N/A	12- month ECL	66,005	30,934

Note 1: Debt investments at fair value through other comprehensive income are stated at carrying amount measured at fair value.

Note 2: The Group considers the impacts of the ECL allowances on these financial assets are immaterial and no reconciliation of gross carrying amount and impairment allowance have been prepared.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk

Interest-bearing borrowings are the general sources of funds to finance the operations of the Group. Certain external financing of the Group are subject to floating rates and are renewable upon maturity. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

Certain subsidiaries of the Group's operations are subject to various statutory liquidity requirements as prescribed by the Hong Kong's Securities and Futures Commission (the "SFC") in accordance with the Hong Kong's Securities and Futures Ordinance (the "HKSFO"). The Group has put in place a monitoring system to ensure that these subsidiaries maintain adequate liquid capital to fund their business commitments and to comply with relevant liquid capital requirements under the HKSFO. The liquidity risk of the Group is managed by regularly monitoring current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term. The Group holds sufficient cash and deposits on demand to repay its liabilities.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities as at 31 December 2023 and 2022. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2023

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities at fair value through profit or loss	6,925	–	–	–	6,925
Loan and interest payables	27,639	–	–	–	27,639
Lease liabilities	2,638	–	–	–	2,638
Accruals and other payables	123,405	–	–	–	123,405
	160,607	–	–	–	160,607

As at 31 December 2022

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities at fair value through profit or loss	70,615	–	–	–	70,615
Lease liabilities	9,001	2,638	–	–	11,639
Accruals and other payables	80,312	–	–	–	80,312
	159,928	2,638	–	–	162,566

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Capital management

The Group's objectives when managing capital are:

(a) to comply with the liquid capital requirements under the SFC in Hong Kong;

(b) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

(c) to support the Group's stability and growth; and

(d) to maintain a strong capital base to support the development of its business.

Consistent within others in the industry, the Group monitors capital on the basis of gearing ratio which is calculated as total debt (including margin payables and loan and interest payables) divided by total equity.

The Group's gearing ratio at the end of the reporting period is shown below:

	2023 **HK$'000**	2022 HK$'000
Total debt	**27,639**	–
Total equity	**3,988,957**	4,155,200
Gearing ratio	**0.7%**	0%

Two subsidiaries (2022: Two) of the Group (the "Licensed Subsidiaries") are registered with the SFC to conduct respective regulated activities in Hong Kong. The Licensed Subsidiaries are subject to liquid capital requirements under the Securities and Futures (Financial Resources) Rules (the "FRR") adopted by the SFC. Under the FRR, the Licensed Subsidiaries must maintain its liquid capital (assets and liabilities adjusted as determined by the FRR) in excess of required liquid capital.

All licensed corporations within the Group complied with their required liquid capital during the years ended 31 December 2023 and 2022.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation

The following table represents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 13 Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level):	fair values measured using quoted prices (unadjusted) in active markets.
Level 2:	fair values measured using quoted price in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
Level 3 (lowest level):	fair values measured using valuation techniques in which any significant input is not based on observable market data.

Valuation Process

The Group engages external valuation firm to perform the valuation of investment projects for financial reporting purpose, including level 3 fair values. The external valuation firm reports directly to the Head of Finance of the Group and Head of Finance reports to the Audit Committee ("AC"). Discussions of valuation processes and results are held between the Head of Finance, AC and external valuation firm at least once every six months, in line with the Group's half-yearly reporting periods.

The main level 3 inputs used by the Group are derived and evaluated as follows.

Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific of the asset.

Earnings/Sales growth factors for unlisted equity securities are estimated based on market information for similar types of companies.

Contingent consideration — expected cash flows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and level 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the Head of Finance, AC and the external valuation firm. As part of this discussion the Head of Finance presents and explains the reason for the fair value movements.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

The following tables present the Group's financial assets and liabilities that are measured at fair value as at 31 December 2023 and 2022.

As at 31 December 2023

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity investments	–	–	1,592,505	1,592,505
— Unlisted investment funds	–	–	582,385	582,385
— Unlisted debt investment	–	–	57,603	57,603
— Listed equity investments	136,768	58,064	–	194,832
— Listed debt investments	–	44,223	–	44,223
— Convertible loan	–	–	12,999	12,999
Total	136,768	102,287	2,245,492	2,484,547
Financial assets at fair value through other comprehensive income				
— Unlisted investment funds	–	–	108,762	108,762
— Listed equity investments	90,812	116,362	–	207,174
— Listed debts investments	–	36,511	–	36,511
Total	90,812	152,873	108,762	352,447
Total assets	227,580	255,160	2,354,254	2,836,994
Liabilities				
Financial liabilities at fair value through profit or loss				
— Other financial liabilities	–	6,925	–	6,925
Total liabilities	–	6,925	–	6,925

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

As at 31 December 2022

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity investments	–	–	1,461,173	1,461,173
— Unlisted investment funds	–	–	402,590	402,590
— Unlisted debt investment	–	–	90,674	90,674
— Listed equity investments	292,198	66,658	–	358,856
— Listed debt investments	–	66,790	–	66,790
— Convertible loan	–	–	13,750	13,750
Total	292,198	133,448	1,968,187	2,393,833
Financial assets at fair value through other comprehensive income				
— Unlisted investment funds	–	–	146,648	146,648
— Listed equity investments	148,675	79,792	–	228,467
— Listed debts investments	–	60,349	–	60,349
Total	148,675	140,141	146,648	435,464
Total assets	440,873	273,589	2,114,835	2,829,297
Liabilities				
Financial liabilities at fair value through profit or loss				
— Payable to holders of non-controlling interests in unlisted consolidated investment fund	–	70,615	–	70,615
Total liabilities	–	70,615	–	70,615

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as financial assets at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

Unlisted investment funds classified as level 3 is principally due to their underlying investments are unlisted equity or unlisted debt investments.

The fair value of payable to holders of non-controlling interests in unlisted consolidated investment fund is measured using net asset value of the investment fund.

The carrying amounts of the group's financial instruments carried at amortised cost approximate its fair values as at 31 December 2023 and 2022.

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2 fair value measurements (2022: HK$Nil), and no transfers into and out of Level 3 fair value measurements (2022: HK$Nil. The following table presents the changes in level 3 items for the years ended 31 December 2023 and 2022 for recurring fair value measurements:

As at 31 December 2023

	Unlisted equity investments HK$'000	Unlisted investment funds HK$'000	Convertible loan HK$'000	Unlisted debt investment HK$'000	Total HK$'000
Assets					
Opening balance as at beginning of the year	1,461,173	549,238	13,750	90,674	2,114,835
Purchases	58,175	134,705	–	–	192,880
Disposals	(11,303)	(5,638)	–	(45,377)	(62,318)
Transfer from derecognition of a consolidated investment fund	–	27,015	–	–	27,015
Disposals through derecognition of a consolidated investment fund	–	(1,579)	–	–	(1,579)
Currency translation difference	(1,472)	(1,919)	(751)	–	(4,142)
Net gain recognised in profit or loss*	85,932	27,212	–	12,306	125,450
Net loss recognised in other comprehensive income	–	(37,887)	–	–	(37,887)
Closing balance as at the end of the year	1,592,505	691,147	12,999	57,603	2,354,254
* includes unrealised gain recognised in profit or loss attributable to balances held at the end of the reporting period	85,932	27,270	–	12,127	125,329

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

As at 31 December 2022

	Unlisted equity investments HK$'000	Unlisted investment funds HK$'000	Convertible loan HK$'000	Unlisted notes HK$'000	Unlisted debt investment HK$'000	Total HK$'000
Assets						
Opening balance as at beginning of the year	1,620,791	712,791	14,912	21,415	–	2,369,909
Purchases	–	287,652	–	–	90,674	378,326
Disposals	–	(239,920)	–	–	–	(239,920)
Currency translation difference	(5,502)	(2,588)	(2,018)	–	–	(10,108)
Net (loss)/gain recognised in profit or loss*	(154,116)	(12,379)	856	(21,415)	–	(187,054)
Net loss recognised in other comprehensive income	–	(196,318)	–	–	–	(196,318)
Closing balance as at the end of the year	1,461,173	549,238	13,750	–	90,674	2,114,835
* includes unrealised (loss)/gain recognised in profit or loss attributable to balances held at the end of the reporting period	(154,116)	(13,946)	856	(21,415)	–	(188,621)

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

Below is the table setting out quantitative information about fair value measurements using significant unobservable inputs (Level 3).

Equity Investments	Fair value as at 31 December 2023 HK$000	Valuation techniques	Unobservable input	Range	Sensitivity of fair value to changes in unobservable inputs/ Relationship of unobservable inputs to fair value
Unlisted equity investments	1,177,975	Market approach	Price to sales ratio	5.2x	10% increase or decrease in the price to sales ratio, the fair value would be increased by HK$116 million or decreased by HK$116 million, respectively
			Discount rate for lack of marketability	7.96%	0.5% increase or decrease in discount rate for lack of marketability, the fair value would be decreased by HK$6.3 million or increased by HK$6.3 million, respectively
	342,169	Income approach	Volatility of comparable companies	38.23%	5% increase or decrease in the volatility of comparable companies, the fair value would be increased by HK$2.0 million or decreased by HK$2.1 million, respectively
	25,489	Market approach	Volatility of comparable companies	47.81%	The higher the volatility, the lower the fair value
	46,872	Recent transaction	n/a	n/a	n/a
Unlisted investment funds	687,147	Net asset value	n/a	n/a	n/a
	4,000	Recent transaction	n/a	n/a	n/a
	—	Adjusted net asset value (note a)	n/a	n/a	n/a
Unlisted debt investment	57,603	Income approach	Discount rate	13.13%	The higher the discount rate, the lower the fair value
Convertible loan	12,999	Income approach	Discount rate	19.30%	The higher the discount rate, the lower the fair value
			Volatility of companies comparable	47.55%	The higher the volatility, the higher the fair value

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

Equity Investments	Fair value as at 31 December 2022 HK$000	Valuation techniques	Unobservable input	Range	Sensitivity of fair value to changes in unobservable inputs/ Relationship of unobservable inputs to fair value
Unlisted equity investments	1,103,318	Market approach	Price to sales ratio	4.0x	10% increase or decrease in the price to sales ratio, the fair value would be increased by HK$110 million or decreased by HK$110 million, respectively
			Discount rate for lack of marketability	11.27%	0.5% increase or decrease in discount rate for lack of marketability, the fair value would be decreased by HK$6.2 million or increased by HK$6.2 million, respectively
	330,894	Market approach	Price to book ratio	2.0x	10% increase or decrease in the price to book ratio, the fair value would be increased by HK$33 million or decreased by HK$33 million, respectively
			Discount rate for lack of marketability	15.65%	0.5% increase or decrease in discount rate for lack of marketability, the fair value would be decreased by HK$2.0 million or increased by HK$2.0 million, respectively
	26,961	Market approach	Volatility of comparable companies	59.89%	The higher the volatility, the lower the fair value
Unlisted investment funds	188,355	Recent transaction	n/a	n/a	n/a
	48,418	Market approach	Volatility of comparable companies	43.98%	The higher the volatility, the higher the fair value
	312,305	Net asset value	n/a	n/a	n/a
	160	Adjusted net asset value (Note a)	n/a	n/a	n/a
Unlisted debt investment	90,674	Recent transaction	n/a	n/a	n/a
Convertible loan	13,750	Income approach	Discount rate	28.11%	The higher the discount rate, the lower the fair value
			Volatility of comparable companies	52.62%	The higher the volatility, the higher the fair value

Note a: Adjusted net asset value represents adjustments on the net asset value of the fund by making impairment on certain investments of the fund. Please refer to note 21.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. According to the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and Clearing Participant of China Securities Depository, 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Offsetting financial assets and financial liabilities *(Continued)*

As at 31 December 2023

	Gross amount of recognised financial assets/ (liabilities) HK$'000	Gross amount of recognised financial (assets)/ liabilities offset in the financial statements HK$'000	Net amounts of financial assets/ (liabilities) reflected in the financial statements HK$'000	Related amounts not set off in the statement of financial position: Amounts subject to master netting arrangements HK$'000	Related amounts not set off in the statement of financial position: Collateral received HK$'000	Net HK$'000
Financial assets						
Accounts receivable arising from brokerage — the Stock Exchange and other clearing houses	364	–	364	–	–	364
Deposit placed with clearing houses	3,471	–	3,471	–	–	3,471
Margin receivables	54,776	–	54,776	–	(54,776)	–
Total	58,611	–	58,611	–	(54,776)	3,835
Financial liabilities						
Accounts payable arising from brokerage — the Stock Exchange and other clearing houses	–	–	–	–	–	–
Total	–	–	–	–	–	–

As at 31 December 2022

	Gross amount of recognised financial assets/ (liabilities) HK$'000	Gross amount of recognised financial (assets)/ liabilities offset in the financial statements HK$'000	Net amounts of financial assets/ (liabilities) reflected in the financial statements HK$'000	Related amounts not set off in the statement of financial position: Amounts subject to master netting arrangements HK$'000	Related amounts not set off in the statement of financial position: Collateral received HK$'000	Net HK$'000
Financial assets						
Accounts receivable arising from brokerage — the Stock Exchange and other clearing houses	–	(131)	(131)	–	–	(131)
Deposit placed with clearing houses	1,835	–	1,835	–	–	1,835
Margin receivables	56,634	–	56,634	–	(56,634)	–
Total	58,469	(131)	58,338	–	(56,634)	1,704
Financial liabilities						
Accounts payable arising from brokerage — the Stock Exchange and other clearing houses	(131)	131	–	–	–	–
Total	(131)	131	–	–	–	–

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which were categorised as level 3

The directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of unlisted equity instruments are determined in accordance with generally accepted pricing models, which includes certain assumptions not supported by observable market prices or rates. Changes to the assumptions or inputs used in deriving the valuation would have a significant impact to the fair values of these financial assets and liabilities in the consolidated statement of financial position. The carrying amounts of such unlisted investments in financial assets classified as level 3 as at 31 December 2023 were approximately HK$2,354,254,000 (2022: HK$2,114,835,000). The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair values of financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

ECL allowances on loan and interest receivables, margin receivables, financial assets at amortised cost, debt investments at fair value through other comprehensive income and other interest receivables

The Group reviews its loan receivables from loan lending business, margin receivables from margin financing business and its investments in bonds/notes classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and other interest receivables to assess ECL allowance on each individual loan and investment in bond/note at least on a quarterly basis. The internal credit risk on individual loan receivable plays a critical factor on the ECL impairment model. Risk Management Department maintains a watch list for risk monitoring on all loans receivables and investments in bonds/notes classified as financial assets at amortised cost and financial assets at fair value through other comprehensive income to determine the internal credit category of each individual loan receivable and investment in bond/note classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and other interest receivables. This evidence may include overdue days based on contract note and other observable data indicating that there has been an adverse change in the credit quality of the borrowers and issuers in a group.

Relevant information with regard to the exposure to credit risk and expected credit losses are set out in note 3.2 to the consolidated financial statements.

5. SEGMENT INFORMATION

Chief operating decision maker ("CODM") has been identified as the Executive Directors of the Company. Management has determined the operating segments based on the reports reviewed by the CODM that are used to assess performance and allocate resources. The CODM considers the business from the operations nature perspective, including the provision for asset management services ("Asset management"), securities brokerage services ("Securities brokerage") and investment holding ("Investment holding"). Each of the Group's operating segments represents a strategic business unit that is managed by different business unit leaders. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

5. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2023

	Reportable segment					
	Asset management HK$'000	Securities brokerage HK$'000	Investment holding HK$'000	Total HK$'000	Unallocated amount HK$'000 (Note i)	Total HK$'000
Interest income	1,128	7,467	46,212	54,807	21,434	76,241
Commission and fee income	16,131	230	9,610	25,971	789	26,760
Investment income	–	–	11,384	11,384	–	11,384
Revenue from external customers	17,259	7,697	67,206	92,162	22,223	114,385
Net gain on financial assets/liabilities	–	–	81,810	81,810	–	81,810
	17,259	7,697	149,016	173,972	22,223	196,195
Segment (loss)/profit before income tax	(4,383)	(3,972)	57,613	49,258	(64,502)	(15,244)
Other segment information:						
Depreciation of property, plant and equipment	–	(131)	(28)	(159)	(1,562)	(1,721)
Depreciation of right-of-use assets	–	–	–	–	(8,299)	(8,299)
Provision for ECL allowances	–	(2,800)	(46,589)	(49,389)	–	(49,389)
Write-off of intangible assets	–	–	–	–	(902)	(902)
Staff costs and related expenses	(11,252)	(4,814)	(17,190)	(33,256)	(44,830)	(78,086)

For the year ended 31 December 2022

	Reportable segment					
	Asset management HK$'000	Securities brokerage HK$'000	Investment holding HK$'000	Total HK$'000	Unallocated amount HK$'000 (Note i)	Total HK$'000
Interest income	784	5,892	182,257	188,933	5,967	194,900
Commission and fee income	22,946	1,617	5,591	30,154	309	30,463
Investment income	–	–	18,394	18,394	–	18,394
Revenue from external customers	23,730	7,509	206,242	237,481	6,276	243,757
Net loss on financial assets/liabilities	–	–	(447,279)	(447,279)	–	(447,279)
	23,730	7,509	(241,037)	(209,798)	6,276	(203,522)
Segment profit/(loss) before income tax	7,210	(4,473)	(516,003)	(513,266)	(117,602)	(630,868)
Other segment information:						
Depreciation of property, plant and equipment	(10)	(212)	(436)	(658)	(4,103)	(4,761)
Depreciation of right-of-use assets	–	–	–	–	(8,310)	(8,310)
Reversal of/(provision for) ECL allowances	–	4	(174,679)	(174,675)	–	(174,675)
Impairment of goodwill	–	(10,792)	–	(10,792)	–	(10,792)
Impairment of intangible assets	–	(700)	–	(700)	–	(700)
Staff costs and related expenses	(10,027)	(7,931)	(17,993)	(35,951)	(60,078)	(96,029)

Note i: The "unallocated amount" primarily included unallocated interest income, service fee income and expenditures for head office operations as well as interest expenses for general working capital.

Note ii: Conforming to current year's presentation, commission and fee income of HK$658,000 that was included in investment banking segment for the year ended 31 December 2022 has been reclassified under securities brokerage segment. The revised presentation reflects more appropriately the performance of operating segments.

5. SEGMENT INFORMATION *(Continued)*

Breakdown of the revenue from external customers and net gain/(loss) on financial assets and liabilities by geographical location is as follows:

For the year ended 31 December 2023

	Hong Kong HK$'000	The PRC HK$'000	Japan HK$'000	Canada HK$'000	Total HK$'000
Revenue from external customers	95,418	3,714	13,646	1,607	114,385
Net gain on financial assets/liabilities	67,063	14,747	–	–	81,810
	162,481	18,461	13,646	1,607	196,195

For the year ended 31 December 2022

	Hong Kong HK$'000	The PRC HK$'000	Japan HK$'000	Canada HK$'000	Total HK$'000
Revenue from external customers	228,271	5,284	9,530	672	243,757
Net loss on financial assets/liabilities	(375,883)	(64,046)	(7,350)	–	(447,279)
	(147,612)	(58,762)	2,180	672	(203,522)

Breakdown of the total non-current assets other than financial instruments and deferred tax assets by location of the assets is shown in the following:

	2023 HK$'000	2022 HK$'000
Hong Kong	29,664	30,034
The PRC	57,106	61,840
Japan	5	11
Canada	49	56
	86,824	91,941

6. REVENUE

	2023 HK$'000	2022 HK$'000
Interest income:		
Interest income from loan lending business *(note i)*	7,408	2,986
Interest income from margin financing business *(note i)*	6,112	5,595
Interest income from debt instruments at amortised cost *(note i)*	603	3,584
Interest income from debt instruments at fair value through other comprehensive income *(note i)*	17,509	126,481
Interest income from financial assets at fair value through profit or loss	20,449	48,911
Other interest income	24,160	7,343
	76,241	194,900
Commission and fee income (note ii):		
Advisory fee income	13,575	8,607
Commission income from securities brokerage	1,019	1,269
Loan arrangement fee income	600	390
Fee income received from asset management	11,566	20,040
Underwriting fee income	–	157
	26,760	30,463
Investment income:		
Dividend income	11,384	18,394
	11,384	18,394
	114,385	243,757

Note i: Total interest income calculated using effective interest method from loan lending business, margin financing business, debt instruments at amortised cost and debt instruments at fair value through other comprehensive income amounted to HK$31,632,000 (2022: HK$138,646,000).

Note ii: Commission and fee income is the only revenue arising from HKFRS 15, while interest income and investment income are under the scope of HKFRS 9. Included in revenue arising from contract with customers recognised at a point of time and over time were revenue of HK$8,204,000 (2022: HK$2,660,000) and HK$18,556,000 (2022: HK$27,803,000) respectively.

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS/LIABILITIES

	2023 HK$'000	2022 HK$'000
Net gain/(loss) on financial assets/liabilities at fair value through profit or loss	81,725	(440,413)
Net gain/(loss) on disposal of financial assets at fair value through other comprehensive income	85	(6,866)
	81,810	(447,279)

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK$'000	2022 HK$'000
Finance costs on repurchase agreements	1,086	616
Finance costs on leverage notes	–	671
Finance costs on margin payables	12	294
Finance costs on lease liabilities	275	385
Loan arrangement fee	25	25
	1,398	1,991

9. LOSS BEFORE INCOME TAX

	2023 HK$'000	2022 HK$'000
Loss before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration	3,080	2,980
Short-term leases expenses	2,065	6,526
Loss on disposal of property, plant and equipment	–	2
Write-off of property, plant and equipment	60	1,391
Provision for/(reversal of) ECL allowances		
— loan and interest receivables	3,044	(40,940)
— margin receivables	–	(4)
— financial assets at amortised cost	4,187	34,415
— financial assets at fair value through other comprehensive income	31,450	179,289
— other interest receivables	7,908	1,915
— other trade receivables	2,800	–
	49,389	174,675
Foreign exchange loss, net	7,146	15,377

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year and taxation on profits assessable elsewhere have been calculated at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2022: 25%).

	2023 HK$'000	2022 HK$'000
Hong Kong Profits Tax		
— charge for the year	**5,995**	–
— under/(over)provision for prior year	**138**	(32,671)
PRC Enterprise Income Tax		
— charge for the year	**51**	–
— underprovision for prior year	**–**	55
Overseas income tax		
— charge for the year	**1,665**	1,109
— overprovision for prior year	**(188)**	(2)
Deferred tax		
— (credit)/charge for the year	**(1,841)**	24,503
— under/(over)provision for prior year	**2,497**	(1,054)
Income tax expense/(credit)	**8,317**	(8,060)

10. INCOME TAX *(Continued)*

The income tax for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss as follows:

	2023 HK$'000	2022 HK$'000
Loss before income tax	**(15,244)**	(630,868)
Income tax at income tax rate applicable to assessable profit of the operation in different jurisdictions	**(2,151)**	(113,895)
Tax effect of expenses not deductible for tax purpose	**9,743**	39,664
Tax effect of income not taxable for tax purpose	**(10,712)**	(10,263)
Tax effect of unused tax losses not recognised	**9,011**	77,512
Under/(over)provision for prior year	**2,447**	(1,001)
Others	**(21)**	(77)
Income tax expense/(credit) for the year	**8,317**	(8,060)

As at 31 December 2023, net deferred tax balances of approximately HK$124,866,000 (2022: HK$125,528,000) have been recognised for some of the unused tax losses and temporary differences on depreciation allowances, ECL allowances, provision and unrealised gain/loss on financial assets. As at 31 December 2023, deferred tax assets have not been recognised in respect of the estimated tax losses of approximately HK$795,461,000 (2022: HK$721,630,000) because it is not probable that future taxable profit will be available against which certain entities under the Group can utilise the benefits therefrom. The tax losses do not expire under current tax legislation.

10. INCOME TAX *(Continued)*

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**130,671**	127,277
Deferred tax liabilities	**(5,805)**	(1,749)
	124,866	125,528

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses HK$'000	Fair value change HK$'000	Depreciation allowances HK$'000	Expected credit loss allowances HK$'000	Provision HK$'000	Total HK$'000
At 1 January 2022	158,396	(10,170)	(354)	720	–	148,592
(Charged)/credited to profit or loss	(28,000)	3,223	1,388	(720)	660	(23,449)
Exchange difference arising from translation of foreign operations	–	385	–	–	–	385
At 31 December 2022 and 1 January 2023	130,396	(6,562)	1,034	–	660	125,528
Credited/(charged) to profit or loss	2,835	(3,393)	520	42	(660)	(656)
Exchange difference arising from translation of foreign operations	–	(6)	–	–	–	(6)
At 31 December 2023	133,231	(9,961)	1,554	42	–	124,866

11. STAFF COSTS AND RELATED EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK$'000	2022 HK$'000
Staff costs and related expenses:		
Salaries, bonuses and allowances	**76,428**	93,919
Share-based payment expense	**101**	–
Retirement benefit scheme contributions	**1,557**	2,110
	78,086	96,029

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2023

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	(Note) Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000	HK$'000	Total HK$'000
Name of Director									
Mr. Li Feng	250	–	–	–	18	–	–	2,406	2,674
Ms. Lin Le[4]	1,195	–	–	–	7	–	–	–	1,202
Ms. Du Lina[3]	700	–	–	–	7	–	–	–	707
Ms. Zhou Hui	250	–	200	–	–	–	–	–	450
Mr. Dong Hao[5]	250	–	50	–	–	–	–	–	300
Mr. Wen Yuanhua[5]	250	–	100	–	–	–	–	–	350
Mr. Zhang Boyang	250	–	–	–	–	–	–	–	250
Mr. Ni Xinguang[1]	115	–	–	–	6	–	–	–	121
Mr. Tan Zhenyu[2]	167	–	–	–	9	–	–	–	176
Total for 2023	3,427	–	350	–	47	–	–	2,406	6,230

1 Retired on 16 June 2023
2 Resigned on 29 August 2023
3 Appointed on 29 August 2023
4 Appointed on 29 August 2023 and resigned on 21 March 2024
5 Resigned on 13 March 2024

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2022

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	(Note) Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000	HK$'000	Total HK$'000
Name of Director									
Mr. Tomohiko Watanabe[4]	232	–	–	–	17	–	–	3,572	3,821
Mr. Ni Xinguang	250	–	–	–	13	–	–	–	263
Ms. Li Wei[4]	232	–	–	–	18	–	–	3,685	3,935
Mr. Li Feng[1]	199	–	–	–	14	–	–	1,737	1,950
Ms. Zhou Hui	250	–	–	–	–	–	–	–	250
Mr. Dong Hao	250	–	–	–	–	–	–	–	250
Mr. Zhang Boyang	250	–	–	–	–	–	–	–	250
Mr. Wen Yuanhua[1]	199	–	–	–	–	–	–	–	199
Mr. Zhang Yang[2]	51	–	–	–	–	–	–	–	51
Mr. Wang Yongli[2]	51	–	–	–	–	–	–	–	51
Mr. Tan Zhenyu[3]	18	–	–	–	–	–	–	–	18
Total for 2022	1,982	–	–	–	62	–	–	8,994	11,038

1 Appointed on 15 March 2022

2 Resigned on 15 March 2022

3 Appointed on 5 December 2022

4 Resigned on 5 December 2022

Note:

Estimated money values of other benefits include rent paid, share options, share base payment and insurance premium.

Neither the chief executive nor any of the directors waived any emoluments during the year (2022: HK$Nil). In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year ended 31 December 2023 (2022: HK$Nil).

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company or its holding company, or their controlled companies or connected entities that were entered into or subsisted during the year (2022: HK$Nil).

(c) Directors' material interests in transactions, arrangements or contracts

Except for transactions disclosed in note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: HK$Nil).

(d) Five highest paid individuals

The five highest paid individuals in the Group during the year included 1 (2022: 2) directors whose emoluments is reflected in the analysis presented in note 12(a). The emoluments of the remaining 4 (2022: 3) individuals are set out below:

	2023 **HK$'000**	2022 HK$'000
Basic salaries, award and allowances	**11,064**	10,005
Discretionary bonus	**700**	–
Share-based payment expense	**73**	–
Retirement benefit scheme contributions	**68**	54
	11,905	10,059

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
	4	3

No amounts were paid or payable by the Group as inducement for the above remaining individuals to join the Group or compensation for the loss of office in connection with the management of the affairs of any members of the Group during the year (2022: HK$Nil).

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(e) Key management personnel compensation

	2023 HK$'000	2022 HK$'000
Basic salaries, award and allowances	8,737	19,314
Discretionary bonus	550	–
Share-based payment expense	101	–
Retirement benefit scheme contributions	91	117
	9,479	19,431

13. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: HK$Nil).

14. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$24,834,000 (2022: HK$623,263,000) and the weighted average number of ordinary shares of approximately 32,980,392,000 (2022: 32,979,049,000) in issue during the year (excluding the ordinary shares purchased by the Company under the share award plan).

Diluted loss per share

Diluted loss per share amount was the same as basic loss per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2023 and 31 December 2022.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Software HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2022	23,372	9,873	2,786	766	36,797
Additions	–	95	–	–	95
Write-off/disposals	(2,228)	(51)	–	–	(2,279)
Currency translation difference	(110)	(25)	(1)	–	(136)
At 31 December 2022 and 1 January 2023	21,034	9,892	2,785	766	34,477
Additions	–	105	–	–	105
Write-off/disposals	–	(157)	–	–	(157)
At 31 December 2023	21,034	9,840	2,785	766	34,425
Accumulated depreciation and impairment					
At 1 January 2022	19,005	6,460	1,731	357	27,553
Charge for the year	2,907	1,367	334	153	4,761
Write-off/disposals	(854)	(28)	–	–	(882)
Currency translation difference	(24)	(9)	(1)	–	(34)
At 31 December 2022 and 1 January 2023	21,034	7,790	2,064	510	31,398
Charge for the year	–	1,233	334	154	1,721
Write-off/disposals	–	(97)	–	–	(97)
At 31 December 2023	21,034	8,926	2,398	664	33,022
Carrying amount					
At 31 December 2023	–	914	387	102	1,403
At 31 December 2022	–	2,102	721	256	3,079

16. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2023 HK$'000	2022 HK$'000
Asset management:		
China Vered Asset Management (Hong Kong) Limited ("CVAM")	5,079	5,079
Securities brokerage:		
China Vered Securities Limited ("CVS")	–	–
	5,079	5,079

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, revenue growth rate and expenses growth rate, and long term growth rate during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Revenue and expenses growth rate are based on past practices and expectations on market development.

For each of the CGUs, the key assumptions used in the value-in-use calculations in 2023 and 2022 are as follows.

	2023		2022	
	Securities brokerage	Asset management	Securities brokerage	Asset management
Forecast period	5 years	5 years	5 years	5 years
% of revenue growth rate	20%	12%	20%	12%
% of expenses growth rate	15%	10%	15%	10%
Long term growth rate	5%	5%	5%	5%
Pre-tax discount rate	18%	18%	18%	18%

With continuous loss making by the CGUs relating to securities brokerage business, the recoverable amount of the CGUs relating to securities brokerage business based on the value in use calculation was significantly less than its carrying amount. Accordingly, full impairment on goodwill of approximately HK$10,792,000 was recognised in respect of securities brokerage business during the year ended 31 December 2022.

No impairment loss on goodwill of the CGUs relating to asset management business (2022: HK$Nil) is recognised with reference to the value in use calculation. Management believes that any reasonably possible change in any of the assumptions would not cause the recoverable amount of the CGUs relating to asset management business to fall below its carrying amount.

17. OTHER INTANGIBLE ASSETS

	License HK$'000	Trading right HK$'000	Total HK$'000
Cost			
At 1 January 2022 and 31 December 2022	902	700	1,602
Write-off	(902)	–	(902)
At 31 December 2023	–	700	700
Accumulated amortisation and impairment			
At 1 January 2022	–	–	–
Impairment	–	700	700
At 31 December 2022 and 31 December 2023	–	700	700
Carrying amount			
At 31 December 2023	–	–	–
At 31 December 2022	902	–	902

Trading right

The trading right represents the eligibility rights to trade on or through the SEHK and have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading right are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading right will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relating to securities brokerage business, whereby these trading right are allocated to, are determined using a value in use calculation as shown on note 16.

For the years ended 31 December 2023 and 2022, the recoverable amount of trading right on the CGUs relating to securities brokerage business is significantly less than the carrying amount and therefore the carrying amount of trading right has been fully impaired.

License

The license represented the regulated activities license issued by China Securities Regulatory Commission ("CSRC"). The license was acquired in a business combination and was recognised at fair value at the acquisition date. It was regarded as having indefinite useful live and was carried at cost less accumulated impairment losses.

For the year ended 31 December 2023, the license had been deregistered and therefore the carrying amount of the license had been fully written-off in the consolidated statement of profit or loss.

18. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2023 and 2022:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
China Vered Financial Investment Management Limited	Hong Kong, limited liability company	HK$260,000,002	100%	–	Investment holding
China Vered Securities Holdings Limited	Hong Kong, limited liability company	HK$1,475,000,001	100%	–	Investment holding
China Vered Wealth Holdings Limited	Hong Kong, limited liability company	HK$1	–	100%	Provision of money lending services
China Vered Securities Limited	Hong Kong, limited liability company	HK$1,500,000,000	–	100%	Provision of securities brokerage services
China Vered Asset Management (Hong Kong) Limited	Hong Kong, limited liability company	HK$573,700,000	–	100%	Provision of securities advisory and asset management services
China Vered Capital (Hong Kong) Limited	Hong Kong, limited liability company	HK$300,000,000	–	100%	Investment holding
China Vered Investment Limited	The British Virgin Islands, limited liability company	US$6,410,000	–	100%	Investment holding
CM SPC	Cayman Islands, segregated portfolio company	US$1	–	100%	Investment holding
CVAM Investment Limited	The British Virgin Islands, limited liability company	US$1	–	100%	Investment holding
CVAM Investment Fund SPC	Cayman Islands, segregated portfolio company	US$1	–	100%	Investment holding
CVAM Investment Fund SPC - CVAM Spectrum Selected High-Yield Investment Fund SP	Cayman Islands, segregated portfolio	US$17,000,000	–	100%	Investment holding
CM Strategic Investment Management Holding Limited	Hong Kong, limited liability company	HK$1	–	100%	Investment holding
JBC Holdings Co., Ltd.	Japan, limited liability company	JPY176,480,000	–	51%	Investment holding
JBC Fund I	Japan, partnership	Not applicable	–	90%	Investment holding
Tianjin Tong Ming Xin Peng Corporate Management Company Limited^ ("Tianjin Tong Ming Xin Peng") 天津桐鳴鑫鵬企業管理有限責任公司	The PRC, limited liability company	RMB387,690,000*	–	100%	Investment holding
Tianjin Hua Sheng He Tai Corporate Management Company Limited^ ("Tianjin Hua Sheng He Tai") 天津華盛和泰企業管理有限公司	The PRC, limited liability company	RMB387,690,000**	–	100%	Investment holding

^ The English names are for identification purposes only

* The registered capital of Tianjin Tong Ming Xin Peng is RMB387,690,000 and RMB218,073,125 has been paid up as at 31 December 2023.

** The registered capital of Tianjin Hua Sheng He Tai is RMB387,690,000 and RMB218,073,125 has been paid up as at 31 December 2023.

The above list contains the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

19. INVESTMENTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
At the beginning of the reporting period	**72,138**	93,356
Addition (Note)	**15,902**	18,222
Capital distribution received	**(1,548)**	–
Dividend received	**(1,399)**	–
Share of post-tax loss of associates	**(7,195)**	(39,440)
At the end of the reporting period	**77,898**	72,138

Note: During the year ended 31 December 2023, an amount of HK$15,000,000 previously paid and included in other deposits was transferred to investments in associates.

Set out below are the details of the associate as at 31 December 2023 and 2022 which, in the opinion of the directors, is material to the Group.

Name of entity	Place of business	Country of incorporation	Percentage of ownership interest	Nature of the relationship	Measurement method
Grand Flight Hooyoung Investment L.P.	The PRC	Cayman Islands	30%	(Note)	Equity

Note: Grand Flight Hooyoung Investment L.P. is an investment fund registered in Cayman Islands, which invests in listed and unlisted companies in various industries, including internet payment, smart home systems and medical device research and development business. It allows the Group to be involved in different innovative markets, which offer unique growth opportunity.

The following table shows the financial information of Grand Flight Hooyoung Investment L.P.

	2023 HK$'000	2022 HK$'000
Revenue	**–**	–
Loss	**(3,343)**	(108,080)
Total comprehensive loss	**(3,343)**	(108,080)
Current assets	**183,066**	197,281
Current liabilities	**–**	(4,544)
Net assets	**183,066**	192,737
Carrying amount of the associate in the consolidated financial statements (30%)	**54,920**	57,821

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Aggregate financial information of associates that are not individually material:

	2023 HK$'000	2022 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**22,978**	14,317
Aggregate amounts of the Group's share of those associates		
Loss	**(6,348)**	(4,721)
Total comprehensive loss	**(6,348)**	(4,721)

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss include the followings:

	Note	**2023 HK$'000**	2022 HK$'000
Financial assets at fair value through profit or loss			
Unlisted equity investments		**1,592,505**	1,461,173
Unlisted investment funds	(a)	**582,385**	402,590
Unlisted debt investment		**57,603**	90,674
Listed equity investments	(b)	**194,832**	358,856
Listed debt investments	(b)	**44,223**	66,790
Convertible loan	(b)	**12,999**	13,750
		2,484,547	2,393,833
Classified as:			
Non-current assets		**2,096,875**	1,906,019
Current assets		**387,672**	487,814
		2,484,547	2,393,833

	2023 HK$'000	2022 HK$'000
Financial liabilities at fair value through profit or loss		
Payable to holders of non-controlling interests in unlisted consolidated investment fund	**–**	70,615
Other financial liabilities	**6,925**	–
	6,925	70,615
Classified as:		
Current liabilities	**6,925**	70,615

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(a) The investments in unlisted investment funds of HK$582,385,000 (2022: HK$402,590,000) as above represent investments in unconsolidated structured entities. The Group does not consolidate these structured entities as the Group does not have control over them. Such structured entities include investments in funds and partnership managed by either the Group or third parties. The maximum exposure to loss is HK$582,385,000 (2022: HK$402,590,000) which represents the fair value as at 31 December 2023.

The size of these unconsolidated structured entities is HK$4,956,252,000 (2022: HK$2,656,136,000).

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

(b) The interest receivables derived from convertible loan, listed debt investments and certain listed equity investments have been recognised as other interest receivables in the consolidated statement of financial position.

Investment in Shareholder Value Offshore Fund

As at 31 December 2023, these financial assets included, among others, an investment in 31.7% interests in an unlisted investment fund namely Shareholder Value Offshore Fund (the "Fund"), which was managed by the Group's asset management subsidiary, namely China Vered Asset Management (Hong Kong) Limited ("CVAM"), whose carrying value amounted to zero (2022: zero). As at 31 December 2023 and 2022, the original cost of investment in the Fund amounted to HK$139,007,000 and was fully written-off. According to the financial information of the Fund, it was noted that the Fund invested into two segregated portfolios (the "Subject Fund A" and the "Subject Fund B") through its master fund, Shareholder Value Fund (the "Master Fund").

As at 31 December 2023 and 31 December 2022, taking into account the uncertainty on the recoverability of Subject Fund A and Subject Fund B and accordingly, the Group assessed the carrying value of the investment in the Fund as fully written down. The Group would continue to implement best efforts and take all possible actions to the recovery of the Fund's investment in relation to the Subject Fund A and the Subject Fund B in order to maximise the recoverable amount of the Group's interests in the Fund. Up to the date of this report, the above actions are still on-going and the assessment on the carrying value of the investment in the Fund remains unchanged.

In addition, on 7 June 2022, CVAM received a writ of summons (the "Writ of Summons") with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by Orient Finance Holdings (Hong Kong) Limited, as plaintiff (the "Plaintiff"), against CVAM, as a defendant. Subsequently, on 5 August 2022, the Fund was also included as a defendant. Please refer to note 33 to the consolidated financial statements for additional disclosures regarding the contingent liabilities.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Investment in Fund F

As at 31 December 2023, these financial assets included an investment in an unlisted investment fund (the "Fund F"), which was managed by an external fund manager (the "Fund Manager E"), whose carrying value amounted to approximately HK$67,976,000 (2022: HK$73,867,000). The original cost of investment in the Fund F amounted to approximately HK$77,981,000 with an accumulated fair value loss of approximately HK$10,005,000 (2022: loss of HK$4,114,000). Based on the fund documents of the Fund F, its investment objective is to invest in equity or debt securities of healthcare companies with disruptive technologies or products. According to the latest available financial information of the Fund F, it was noted that the main underlying assets included investments in unlisted equity securities and convertible note of various healthcare companies.

The Group was unable to obtain updated and sufficient financial information and valuation performed in respect of the underlying assets of the Fund F from the Fund Manager E and no sufficient information of the underlying assets of the Fund F as at and for the year ended 31 December 2023 is available for the Group for assessing the fair value of the Fund F. As such, the fair value of the Fund F as at the end of the reporting period was reference to the net assets value approach based on the capital statement as at 31 December 2023 provided by the Fund Manager E. The Group considered that the basis applied in the fair value assessment of the Fund F including the recognition of fair value loss of approximately HK$5,891,000 during the year ended 31 December 2023 represented their best estimate.

The Group is now taking active measures including discussion with the Fund Manager E to obtain documentary evidence in respect of the underlying assets of the Fund F.

Investment in Fund G

As at 31 December 2023, these financial assets also included an investment in an unlisted investment fund (the "Fund G"), which was managed jointly by CVAM and another third party co-manager (the "Co-manager"), whose carrying value amounted to approximately US$3,457,000 (equivalent to approximately HK$27,015,000) (2022: Nil).

As at 31 December 2022, the Group held approximately 69% interests in the Fund G, which was unlisted consolidated structured entity. Payables to holders of non-controlling interests in the unlisted consolidated structured entity were recognised as a financial liability since the Group had obligation to pay other investors of the consolidated structured entity after the lock-up period based on the net asset value and related terms of this consolidated structured entity. The amount ultimately paid by the Group depended on the fair values of net assets on the redemption date and may be different from the carrying amounts at the end of each reporting period.

During the year ended 31 December 2023, the Group has requested for 8 redemptions, in total of approximately US$13,271,000 (equivalent to approximately HK$103,723,000), for its investment in the Fund G. All the 8 redemptions have been confirmed and, as a result, the interest in the Fund G held by the Group has decreased from approximately 69% to 28%. Accordingly, the Group deconsolidated the Fund G as the Group no longer has control over this investment . At the date of deconsolidation, the net assets of the Fund G deconsolidated amounted to approximately US$12,111,000 (equivalent to approximately HK$94,656,000) which mainly comprised listed equity and debt securities investments and the payables to holders of non-controlling interests of approximately US$8,655,000 (equivalent to approximately HK$67,641,000) were derecognised accordingly, resulting in no significant gain or loss on the deconsolidation. The net cash outflow arising from the deconsolidation represented the bank balances of approximately US$3,706,000 (equivalent to approximately HK$28,963,000) in the Fund G.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Investment in Fund G *(Continued)*

Up to November 2023, the proceeds of first 5 redemptions amounting to approximately US$11,047,000 (equivalent to approximately HK$86,336,000) were received by the Group.

On 7 November 2023, the Co-manager submitted an injunction application to restrain CVAM (including its directors, associates, servants, employees and agents) from procuring the withdrawal of proceeds pursuant to the redemption requests in respect of the Fund G without the prior consent of the investment committee of the Fund G according to relevant fund documents. The Group expects that an adjudication on the injunction will be issued in or around late March 2024 but has yet to receive up to the date of this report. Therefore, up to 31 December 2023 and the date of this report, the payment of the last 3 redemption applications, totaling US$2,225,000 (equivalent to approximately HK$17,384,000), was still on hold due to the injunction and included in "Other receivables" as set out in note 24 to the consolidated financial statements.

Based on the advice from external legal advisors, the injunction is not a claim for monetary compensation or damage against CVAM. The Group's management assessed that no present obligation exists at this stage. Accordingly, the Group has not made any provision for any claim arising from the injunction.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income include the followings:

	Note	2023 HK$'000	2022 HK$'000
Financial assets at fair value through other comprehensive income			
Unlisted investment funds	(a)	**108,762**	146,648
Listed equity investments	(b)	**207,174**	228,467
Listed debt investments	(c)	**36,511**	60,349
		352,447	435,464
Classified as:			
Non-current assets		**336,434**	376,103
Current assets		**16,013**	59,361
		352,447	435,464

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Notes:

(a) The investments in unlisted investment funds of HK$108,762,000 (2022: HK$146,648,000) represent investments in unconsolidated structured entities which were designated as fair value through other comprehensive income as these investments are held for long term strategic purpose. The Group does not consolidate these structured entities as the Group does not have control over them. Such structured entities include investments in funds managed by third parties and the investment funds mainly invested in equity and debt securities issued by entities from banking and finance sector and energy and chemical sector. The maximum exposure to loss is HK$108,762,000 (2022: HK$146,648,000) which represents the fair value as at 31 December 2023.

The size of these unconsolidated structured entities is HK$131,434,000 (2022: HK$178,261,000).

During the year, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

(b) The Group designated these investments at fair value through other comprehensive income as the investments are held for long term strategic purposes. The issuers of these listed equity investments are mainly under banking and finance sector and real estate sector.

During the year ended 31 December 2023, the listed equity investments with fair value of approximately HK$55,131,000 (2022: HK$Nil) were disposed which is in line with the Group's inherent investment strategy. The cumulative gain of approximately HK$182,000 (2022: HK$Nil) that was previously included in the investment revaluation reserve (non-recycling) was transferred directly to retained earnings during the year ended 31 December 2023.

(c) The interest receivables derived from listed debt investments have been recognised as other interest receivables in the consolidated statement of financial position.

ECL allowances attributable to debt investments at fair value through other comprehensive income as at 31 December 2023 amounted to HK$592,750,000 (2022: HK$561,300,000). The increase in ECL allowances of HK$31,450,000 (2022: HK$179,289,000) was recognised in the consolidated statement of profit or loss during the year.

Investment in Fund D

As at 31 December 2023, the financial assets included an investment in 100% interests in an unlisted investment fund (the "Fund D"), which was managed by a licensed asset manager (an independent third party to the Group) (the "Third Party Manager C"), whose carrying value amounted to zero (2022: approximately HK$160,000). According to the financial information of the Fund D, it was noted that the underlying assets included certain securities investment and a substantial portion of investments in two loans made by the Third Party Manager C. The Group identified that one of the two loans was made to a party related to the Third Party Manager C.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Investment in Fund D *(Continued)*

In September 2022, the Group submitted a written request for the redemption of the Fund D based on the subscription agreement. The Third Party Manager C requested for the extension of redemption date, however, the Group rejected such extension request. During the year ended 31 December 2023, the Third Party Manager C realised certain listed securities in the market and demanded repayment of the two loans upon maturity. However, the borrowers have not repaid any amount up to date.

As at 31 December 2023 and 31 December 2022, taking into account all available information obtained and the recovery efforts implemented, the Group considered the recoverable amount of the two loans was minimal and accordingly, the Group assessed the carrying value of the loans and interest receivables recorded in the Fund D as fully impaired and recorded as fair value loss. The fair value of the remaining net assets, including cash and other securities investment less liabilities recorded in the Fund D, was negative as at 31 December 2023 (2022: approximately HK$0.2 million).

The Group would continue to implement all possible recovery efforts on the redemption in the Fund D and the recovery of two loans in order to maximise the recoverable amount of the Fund D.

Investment in Fund E

As at 31 December 2023, the financial assets also included an investment in unlisted investment fund, Fund E, which was managed by a licensed asset manager (an independent third party to the Group) (the "Third Party Manager D"), whose carrying value amounted to approximately HK$108,762,000 (2022: HK$146,488,000). The original cost of investment in Fund E amounted to approximately HK$584,150,000 (2022: HK$584,150,000) with an accumulated fair value loss of approximately HK$475,388,000 (2022: HK$437,662,000). According to the financial information of Fund E, it was noted that the underlying assets invested by Third Party Manager D included a substantial part of investments in listed equity securities under banking and finance sector and remaining part of investment in a loan receivable. The Group is now taking active measures including discussion with Third Party Manger D for redemption of investment and/or recovery of any investment loss.

22. FINANCIAL ASSETS AT AMORTISED COST

	2023 HK$'000	2022 HK$'000
Financial assets at amortised cost		
Not past due or less than 1 month past due	–	29,304
1–3 months past due	–	–
3–6 months past due	–	–
6–12 months past due	–	140,037
Over 12 months past due	140,378	–
	140,378	169,341
Less: ECL allowances on financial assets at amortised cost	(137,966)	(133,779)
	2,412	35,562
Classified as:		
Current assets	2,412	35,562

As at 31 December 2023, these financial assets at amortised cost include note receivables with effective interest rate at 7.6% per annum (2022: ranging from 7.6% to 10.0% per annum for unlisted bond investments and note receivables). Interest income derived from financial assets at amortised cost was recognised and presented under "Interest income from debt instruments at amortised cost" in note 6 to the consolidated financial statements.

ECL allowances attributable to financial assets at amortised cost as at 31 December 2023 amounted to HK$137,966,000 (2022: HK$133,779,000). The increase in ECL allowances of HK$4,187,000 (2022: HK$34,415,000) was recognised in the consolidated statement of profit or loss during the year.

23. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Margin receivables	118,342	120,200
Less: ECL allowances	(63,566)	(63,566)
	54,776	56,634
Trade receivables arising from asset management business and underwriting business	14,589	20,919
Less: ECL allowances	(2,800)	–
	11,789	20,919
	66,565	77,553

23. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES *(Continued)*

As at 31 December 2023, loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK$430,937,000 (2022: HK$583,609,000) which can be sold at the discretion of a subsidiary of the Group to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

ECL allowances attributable to margin receivables as at 31 December 2023 amounted to HK$63,566,000 (2022: HK$63,566,000). No change in ECL allowances (2022: decrease of HK$4,000) was recognised in the consolidated statement of profit or loss during the year.

Except for those margin receivables in stage 3 of ECL assessment, the Group considered that the business nature of margin receivables is short-term and the directors are of the opinion that no further aging analysis is disclosed.

Trade receivables arising from asset management business are mainly due at the end of the relevant valuation period of the investment funds and managed accounts. However, some of these trade receivables are only due after the relevant valuation period as a result of credit periods granted to certain investment funds and managed accounts which are generally within three months.

Trade receivables arising from asset management business are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate.

ECL allowances attributable to other trade receivables as at 31 December 2023 amounted to HK$2,800,000 (2022: HK$Nil). The increase of ECL allowances of HK$2,800,000 (2022: HK$Nil) was recognised in the consolidated statement of profit or loss during the year.

Aging analysis of gross other trade receivables from the trade date is as follows:

	2023 HK$'000	2022 HK$'000
0–90 days	**2,358**	4,125
91 days to 1 year	**8,190**	16,794
Over 1 year	**4,041**	–
	14,589	20,919

The carrying amounts of the margin receivables approximate to their fair values.

The carrying amounts of other trade receivables approximate to their fair values due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the other trade receivables. The Group did not hold any collateral as security as at 31 December 2023 (2022: HK$Nil).

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 HK$'000	2022 HK$'000
Other receivables	58,932	5,116
Prepayments	4,828	5,706
Other deposits	2,245	20,112
	66,005	30,934

As at 31 December 2023, all the current balances are expected to be recovered within one year (2022: all the current balances are expected to be recovered within one year, except for certain deposits of HK$16,988,000).

25. LOAN AND INTEREST RECEIVABLES

As at 31 December 2023, these loan receivables bore interest at fixed rate ranging from 10% to 15% per annum (2022: 15% per annum). Interest income derived from loan receivables was recognised and presented under "Interest income from loan lending business" in note 6 to the consolidated financial statements.

Regular credit reviews on these loans receivables are conducted by the Risk Management Department based on the latest status of these loans, 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 loans in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial positions.

As these loan receivables will be settled within 12 months, the carrying amounts approximate to their fair values.

ECL allowances attributable to loan and interest receivables as at 31 December 2023 amounted to HK$263,310,000 (2022: HK$260,266,000). The increase in ECL allowances of HK$3,044,000 (2022: decrease of HK$40,940,000) was recognised in the consolidated statement of profit or loss during the year.

The following is an aging analysis of loan and interest receivables based on the contract note at the reporting date:

	2023 HK$'000	2022 HK$'000
Not past due or less than 1 month past due	97,186	3,730
1–3 months past due	–	–
3–6 months past due	1,773	–
6–12 months past due	–	–
Over 12 months past due	374,237	374,259
	473,196	377,989
Less: ECL allowances	(263,310)	(260,266)
	209,886	117,723
Classified as:		
Non-current assets	79,900	–
Current assets	129,986	117,723
	209,886	117,723

26. DEPOSITS WITH BROKERS AND CASH AND CASH EQUIVALENTS

As at 31 December 2023, the cash and cash equivalents of the Group denominated in RMB or HKD and kept in the PRC amounted to approximately HK$96,383,000 (2022: HK$49,225,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The Group maintains segregated accounts with authorised institutions to hold clients' monies in the normal course of business. At 31 December 2023, client money maintained in segregated accounts not otherwise dealt with in the consolidated financial statements amounted to approximately HK$126,217,000 (2022: HK$107,129,000).

As at 31 December 2023, deposits with brokers were mainly placed in the licensed stockbrokers in Hong Kong and the PRC, which amounted to approximately HK$213,008,000 (2022: HK$99,427,000).

The carrying amounts of deposits with brokers and cash and cash equivalents approximate to their fair values.

27. ACCRUALS AND OTHER PAYABLES

	Note	2023 HK$'000	2022 HK$'000
Contract liabilities	(a)	9,200	13,800
Deposits received	(b)	111,255	68,028
Receipts in advance		4,250	17
Other tax payables		2,614	1,591
Accruals and other payables		34,439	23,837
		161,758	107,273

(a) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	13,800	–
Receipt of advances	–	13,800
Recognised as revenue during the year	(4,600)	–
At 31 December	9,200	13,800

The amount of transaction price allocated to the performance obligations that are unsatisfied at the reporting date is as follows:

	2023 HK$'000	2022 HK$'000
Expected timing of revenue recognition:		
Within 1 year	4,600	4,600
More than 1 year but within 2 years	4,600	4,600
More than 2 years but within 3 years	–	4,600
	9,200	13,800

(b) Included in the deposits received, HK$110,348,000 (2022: HK$67,169,000) represented the deposit received as a pledged asset for a loan receivable of HK$122,116,000 (2022: HK$121,820,000) as at 31 December 2023.

28. LOAN AND INTEREST PAYABLES

	Note	**2023 HK$'000**	2022 HK$'000
Repurchase agreements	(a)	**26,647**	–
Interest payables		**992**	–
		27,639	–

As at 31 December 2023, the loans bore interest at fixed rate ranging from 5.31% to 7.02% per annum (2022: Nil).

The Group's borrowings were repayable as follows:

	2023 HK$'000	2022 HK$'000
Within 1 year	**27,639**	–

The fair values of borrowings approximate their carrying amounts, as the impact of discounting is not significant.

(a) As at 31 December 2023, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through profit or loss with carrying amount of approximately HK$75,233,000 (2022: HK$Nil) which were subject to the simultaneous agreements to repurchase these investments at the agreed date and price. The repurchase prices were pre-determined and the Group was still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. These bonds were not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retained substantially all the risks and rewards of these bonds.

29. SHARE CAPITAL

	2023		2022	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**34,714,459**	**4,454,374**	34,714,459	4,454,374

30. OTHER RESERVES

(i) Capital reduction reserve

The capital reduction reserve account of the Group enhancing the Group's ability and flexibility in potential dividend distribution in future. The capital reduction reserve account is available to set off against any losses of the Group and/or to make distribution to its shareholders in the future when appropriate.

(ii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 2.22 to the consolidated financial statements.

(iii) Shares held for share award plan

As at 31 December 2023, the Company had 1,730,830,000 (2022: 1,735,410,000) shares held for share award plan.

(iv) Special capital reserve

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR. Pursuant to the High Court Order dated 20 November 2002, as long as the Company shall remain a listed company, the balances shall be treated as an undistributable reserve of the Company provided that (1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied; and (2) the amount standing to the credit of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as a result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.5 to the consolidated financial statements.

(vi) Statutory surplus reserve

In accordance with the PRC Company Law and the respective company's articles of association, a subsidiary of the Group established in the PRC, being a wholly foreign owned enterprise, is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. With the approval from the relevant authorities, the statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. The reserve fund cannot be distributed in the form of cash.

(vii) Investment revaluation reserve

The investment revaluation reserve comprises all fair value gain/loss arising from the revaluation of the financial asset at fair value through other comprehensive income.

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2023 HK$'000	2022 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,346	2,795
Right-of-use asset	2,444	10,743
Interests in subsidiaries	1,735,010	1,735,010
Rental and other deposits	3,026	3,026
Financial assets at fair value through profit or loss	–	158,215
Deferred tax assets	15,297	15,730
Total non-current assets	1,757,123	1,925,519
Current assets		
Other receivables, prepayments and deposits	23,630	7,444
Financial assets at fair value through profit or loss	27,015	–
Deposits with brokers	23	23
Amounts due from subsidiaries	1,881,332	1,989,498
Cash and bank balances	308,311	266,272
Total current assets	2,240,311	2,263,237
Total assets	3,997,434	4,188,756
EQUITY		
Equity attributable to owners of the Company		
Share capital (Note 29)	4,454,374	4,454,374
Other reserves (Note 31(b))	689,257	688,785
Accumulated losses (Note 31(c))	(1,161,340)	(987,782)
Total equity	3,982,291	4,155,377
LIABILITIES		
Non-current liability		
Lease liabilities	–	2,619
Total non-current liability	–	2,619
Current liabilities		
Accruals and other payables	12,524	22,034
Lease liabilities	2,619	8,726
Total current liabilities	15,143	30,760
Total liabilities	15,143	33,379
Total equity and liabilities	3,997,434	4,188,756

Approved by the Board of Directors on 28 March 2024 and signed on its behalf by:

Li Feng
Director

Xie Fang
Director

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Capital reduction reserve HK$'000	Shares held for share award plan reserve HK$'000	Special capital reserve HK$'000	Total HK$'000
At 1 January 2022, 31 December 2022 and 1 January 2023	140,850	(178,764)	726,699	688,785
Release of shares held for share award plan	–	472	–	472
At 31 December 2023	140,850	(178,292)	726,699	689,257

(c) Movement of accumulated losses of the Company

	Accumulated losses HK$'000
At 1 January 2022	(201,130)
Loss for the year	(786,652)
At 31 December 2022 and 1 January 2023	**(987,782)**
Loss for the year	**(173,187)**
Release of shares held for share award plan	**(371)**
At 31 December 2023	**(1,161,340)**

32. SHARE-BASED COMPENSATION

Equity-settled share option scheme

On 9 December 2013, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme") and the adoption of a new share option scheme (the "2013 Share Option Scheme"). The 2013 Share Option Scheme expired on 8 December 2023.

2013 Share Option Scheme

Under the 2013 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the board of directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

At 31 December 2023 and 31 December 2022, the Company had no option granted under the 2013 Share Option Scheme.

2004 Share Option Scheme

The 2004 Share Option Scheme was terminated on 9 December 2013 such that no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

At 31 December 2023 and 31 December 2022, no options to subscribe for shares were granted under the 2004 Share Option Scheme.

Share award

On 19 December 2018, the Group adopted a share award plan. The purpose of the share award plan is to recognise and reward the contribution of selected employees or directors, to give incentives in order to retain them for the continual operation and development of the Group. The share award plan shall be valid and effective for a period of 10 years commencing from 19 December 2018 but may be terminated earlier as determined by the Board.

During the year ended 31 December 2023, the Company did not acquire any share from open market through a trustee for the share award plan (2022: HK$Nil) and the Company had granted 4,580,000 shares to certain employees under the share award plan (2022: Nil). The fair value of shares granted amounting to approximately HK$101,000 (2022: HK$Nil) was determined based on the quoted market price of the shares at the date of grant and was recognised as share-based payment expense in profit or loss during the year ended 31 December 2023.

33. CONTINGENT LIABILITIES

On 7 June 2022, CVAM received the Writ of Summons with an indorsement of claim issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by the plaintiff against CVAM, as a defendant. Details of the receipt of Writ of Summons are set out in the Company's announcement dated 10 June 2022. Subsequently, on 5 August 2022, the Fund was also included as a defendant.

As stated in the indorsement of claim attached to the Writ of Summons, the plaintiff claims against the defendants, among others, for: (1) a sum of US$17,090,460.61, being the original investment amount of US$25,000,000.00 made by the plaintiff in the Fund where CVAM serves as the investment manager, less US$7,909,539.39, being the redemption proceeds paid to the plaintiff; (2) interest for investment in the Fund; (3) loss and/or damages; (4) such further or other reliefs as the court shall deem fit; and (5) costs.

The Group has sought legal advice in respect of the litigation. At the end of the reporting period and up to the date of approval of these consolidated financial statements, based on the information available and the advice from external legal advisors, the Group's management assessed that whether any present obligation exists is still subject to high uncertainty. Accordingly, the Group has not made any provisions for any claim arising from the litigation, other than the related legal and other costs.

CVAM as a licensed corporation is registered with the SFC. It may be required to assist in and/or are subject to inquiries by relevant regulatory authorities in Hong Kong, including the SFC, if and when necessary. CVAM has been involved in ongoing communication with regulatory authorities in connection with the matters being investigated by the Group as disclosed in note 20 to the consolidated financial statements and no disciplinary action has been initiated by any regulatory authorities up to the date of this report. The Group has not made any provision for the aforementioned contingency.

Save as disclosed above and elsewhere in these consolidated financial statements, as at 31 December 2023, the Group and the Company did not have any significant contingent liabilities (2022: HK$Nil).

34. COMMITMENTS

Capital commitments

The Group has entered into contracts to commit investing into certain unlisted investment funds. The aggregate non-cancellable capital commitments as at 31 December 2023 amounted to approximately HK$260,656,000 (2022: HK$292,829,000).

35. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2023 **HK$'000**	2022 HK$'000
Fee income received from asset management, net (Note i)	**1,164**	4,376
Underwriting fee income (Note ii)	**–**	150
Dividend income (Note iii)	**2,067**	978

Note i: During the year ended 31 December 2022, the Group provided fund management service to related party funds managed by our subsidiary namely China Vered Asset Management (Hong Kong) Limited, and recognised a net income of fund management fee and performance fee of HK$3,436,000. The fund management fee and performance fee are determined with reference to the market rate offered to other third party investor of the fund. No such fund management service was provided to related party funds during the year ended 31 December 2023. As at 31 December 2023, the fee receivable amounted to approximately HK$1,351,000 (2022: HK$1,238,000).

The Group also provided co-investment management service to a related party fund in which the Group had substantial interest, and recognised a net income of fund management fee of HK$1,164,000 (2022: HK$940,000). The fund management fee is determined with reference to the market rate offered to other third party investor of the fund. As at 31 December 2023, the fee receivable amounted to approximately HK$Nil (2022: HK$936,000).

Note ii: During the year ended 31 December 2022, Vered Investment Co., Ltd, a non-controlling shareholder of the Company, issued a corporate bond and a subsidiary of the Company acted as one of the arranger in the offerings. The relevant underwriting commission income recognised during the year ended 31 December 2022 amounted to HK$150,000 in accordance with the terms of relevant subscription agreements. During the year ended 31 December 2023, the Group did not provide any underwriting service to Vered Investment Co., Ltd. As at 31 December 2023, the fee receivable amounted to HK$Nil (2022: HK$2,950,000) after ECL allowances.

Note iii: During the year ended 31 December 2023, the Group has received dividend income of HK$2,067,000 from certain related party funds (2022: HK$978,000). Dividend income is determined by fund manager with reference to the fund mandate.

(b) The remuneration for directors and other members of key management of the Group during the year is disclosed in note 12 to the consolidated financial statements.

36. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities:

	Liabilities from financing activities		
	Margin payables	Loan and interest payables	Lease liabilities
	HK$'000	HK$'000	HK$'000
As at 1 January 2022	9,164	163,189	2,789
Changes from financing cash flows:			
Repayment of loan payables	–	(159,890)	–
Drawdown of margin payables	44,067	–	–
Repayment of margin payables	(53,231)	–	–
Principal elements of lease rentals paid	–	–	(8,042)
Other changes:			
Interest expenses	294	1,287	385
Interest paid	(294)	(4,586)	(385)
Acquisition — leases	–	–	16,598
As at 31 December 2022 and 1 January 2023	–	–	11,345
Changes from financing cash flows:			
Proceeds from loan payables	–	26,647	–
Drawdown of margin payables	5,303	–	–
Repayment of margin payables	(5,303)	–	–
Principal elements of lease rentals paid	–	–	(8,726)
Other changes:			
Interest expenses	12	1,086	275
Interest paid	(12)	(94)	(275)
As at 31 December 2023	–	27,639	2,619

37. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events since the end of the reporting period and up to the date of this report.

38. RECLASSIFICATION

Certain comparative figures have been reclassified to conform with the current year presentation.

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Results					
Turnover	**114,385**	243,757	302,540	318,327	188,177
(Loss)/profit attributable to:					
— Owners of the Company	**(24,834)**	(623,263)	71,189	323,452	(568,815)
— Non-controlling interests	**1,273**	455	(1,009)	(1,161)	(1,779)
Assets and liabilities					
Total assets	**4,318,496**	4,464,246	5,467,773	6,187,043	5,736,975
Total liabilities	**(329,539)**	(309,046)	(527,098)	(898,421)	(539,355)
Total equity	**3,988,957**	4,155,200	4,940,675	5,288,622	5,197,620