民銀資本

CMBC CAPITAL HOLDINGS LIMITED

Incorporated in Bermuda with limited liability

Stock Code : 1141

ANNUAL REPORT 2023

Contents

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Audit Committee"	the audit committee of the Board
"Board"	the Board of Directors of the Company
"Bye-laws"	the bye-laws of the Company
"China Minsheng Bank"	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1988) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600016)
"China Minsheng Bank Group"	China Minsheng Bank and its subsidiaries (excluding the members of the Group)
"CMBC HK Branch"	the Hong Kong branch of China Minsheng Bank
"CMBCI"	CMBC International Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect controlling Shareholder of the Company
"CMBCIC"	CMBC International Capital Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"CMBC International Investment"	CMBC International Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder of the Company
"CMBC International Investment (HK)"	CMBC International Investment (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect controlling Shareholder of the Company
"CMBC Securities"	CMBC Securities Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"Company"	CMBC Capital Holdings Limited
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	Director(s) of the Company
"Executive Committee"	the executive committee of the Board

Abbreviations

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rule(s)"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Money Lenders Ordinance"	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	the People's Republic of China, for the purpose of this annual report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Previous Year"	the financial year ended 31 December 2022
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Year"	the financial year ended 31 December 2023
"Risk Management and Internal Control Committee"	the risk management and internal control committee of the Board
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary shares of HK$0.4 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Development Committee"	the strategic development committee of the Board
"US"	The United States of America
"US$"	United States Dollars, the lawful currency of the US
"%"	per cent

Corporate Information

(as at the date of this annual report)

BOARD OF DIRECTORS

Executive Directors[(1)(2)(3)]

Mr. Li Baochen *(Chairman)* [(1)]
Mr. Li Ming *(General Manager)* [(2)]
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Yang Kunpeng
Mr. Li Wenshi

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis
Mr. Wu Bin
Mr. Wang Lihua

AUDIT COMMITTEE

Mr. Lee, Cheuk Yin Dannis *(Chairman)*
Mr. Wu Bin
Mr. Wang Lihua

REMUNERATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Li Wenshi
Mr. Wang Lihua

NOMINATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Li Wenshi
Mr. Wang Lihua

COMPANY SECRETARY

Mr. Wong Tin Yu

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

1141

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

45/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Ltd
CMB Wing Lung Bank Limited

LEGAL ADVISER

Ashurst Hong Kong
43/F Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants Hong Kong
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.cmbccap.com

Notes:

(1) Mr. Li Baochen was appointed as an executive Director, Chairman of the Board, chairman of the Executive Committee, chairman of the Strategic Development Committee and a member of the Risk Management and Internal Control Committee, with effect from 6 January 2023.

(2) Mr. Li Ming was appointed as an executive Director, the general manager and a member of the Executive Committee, Risk Management and Internal Control Committee and Strategic Development Committee, with effect from 6 January 2023.

(3) Mr. Ding Zhisuo resigned as an executive Director, the general manager and a member of the Executive Committee, Risk Management and Internal Control Committee and Strategic Development Committee, with effect from 6 January 2023.

Chairman's Statement

ECONOMIC AND MARKET REVIEW

In 2023, while the global economy is supported by positive factors, it is also challenged by a series of complex factors. Global supply-side pressures eased, coupled with high interest rates suppressing the demand side, supply and demand factors together drove inflation in major developed economies down from high levels, but the slow decline in core inflation coupled with the significant gap between the inflation level and the US Federal Reserve's target, which in turn led to the US Federal Reserve's continued tightening of monetary policy in 2023. Interest rates stayed high and the banking systems in Europe and the US faced challenges. Despite timely regulatory actions to prevent contagion, the market remained concerned about financial sector vulnerabilities arising from the high interest rate environment; and the tightening of credit lines by commercial banks has kept global liquidity pressures high, which has intensified market fears of global economic recession to a certain extent.

China's macro policies have been steadily gaining momentum, and the economy as a whole has shown a rebound trend. In 2023, a series of policies to expand domestic demand came into effect, and the potential of domestic demand was gradually unleashed, with consumption playing a stronger role in driving economic growth. Against the backdrop of proactive policy initiatives, infrastructure investment remains an important driver of stable economic growth. Meanwhile, measures to stabilize growth and employment have also accelerated the recovery of the service industry. The momentum of innovation continued to grow, with scientific and technological innovation empowering high-quality development, and the high-precision manufacturing industry making great strides. On the other hand, the real estate market has yet to break away from the downward trend, with a weaker rebound. With the resumption of customs clearance, Hong Kong's economy has also recovered steadily, with the retail and catering sectors rebounding significantly, tourism picking up gradually, and business investment confidence restored.

The increasing complexity of the global situation and the tightening of monetary policy have posed challenges to the global investment environment, leading to a downturn in market sentiment and a certain impact on the performance of capital markets in Hong Kong. Against the backdrop of geopolitical tensions, continued volatility in the macroeconomic and market environment, and the worldwide high interest rates, the Hong Kong stock market continued to experience volatility in 2023 but the overall trend was weak. Although the Hang Seng Index rose to 22,700 points in January 2023 amidst the relaxation of epidemic control measures and expectations of recovery, the upward trend was unsustainable thereafter. In 2023, the Hang Seng Index fluctuated between high and low points by more than 6,700 points and the Hang Seng Index finally closed at 17,047 points at the end of 2023, representing a cumulative decline of 2,734 points, or 13.8%, for the year. The average daily turnover of the Hong Kong securities market in 2023 was HK$105.0 billion, representing a decrease of 15.9% from the average of HK$124.9 billion in 2022.

Chairman's Statement

ECONOMIC AND MARKET REVIEW (CONTINUED)

In 2023, the Stock Exchange introduced various new regulations, such as a new specialized listing mechanism for technology companies, which lowered the threshold for technology companies to list in Hong Kong; the "HKD-RMB Dual Counter Model" facilitated the use of Renminbi in the Hong Kong stock market. The new regulations are expected to attract more Mainland enterprises to list in Hong Kong and at the same time facilitate Mainland investors to invest in Hong Kong stocks, creating more business opportunities for Chinese financial institutions in Hong Kong. However, given the sluggish trading in the Hong Kong stock market in recent years and the low enterprise valuation, the overall performance of IPOs in general has affected the enterprise incentive for listing. A total of 73 companies were newly listed on the Hong Kong stock market in 2023, representing a decrease of 19% compared with the corresponding period in 2022, and the scale of capital raised decreased by 56% compared with the corresponding period in 2022 to HK$46.3 billion. Total capital raised from Hong Kong's primary and secondary stock markets in 2023 fell by 41% year-on-year to HK$150.7 billion.

On the other hand, the primary bond issuance market remained sluggish, with the total amount of bonds issued in Asian (ex-Japan) G3 currencies (US$, Euro and Yen) in 2023 decreased by 20% year-on-year to approximately US$128.4 billion. The performance of the investment-grade and high-yield segment in the secondary bond trading market diverged, with the high-yield price return index falling about 20% in 2023 and the investment-grade price return index rising about 7% according to the Bank of America Merrill Lynch Chinese-issued US dollar-denominated Bond Indices.

BUSINESS REVIEW

The Group had built a cooperative development system with China Minsheng Bank in a regular and efficient manner, through which it can leverage the enormous network and customer base of China Minsheng Bank to facilitate the comprehensive and steady development of the Group in the areas of securities trading and brokerage, asset management, investment and financing, etc. The Group responded to the challenges brought about by the external environment, adjusted its business development strategies in a timely manner, to ensure a balance between the development of various business segments, further strengthened its operational capabilities and paid close attention to its risk management, maintaining reasonable debt structure and abundant liquidity to deal with the global market uncertainty.

BUSINESS REVIEW (CONTINUED)

During the Reporting Year, with respect to the bond underwriting business, the Group completed the underwriting of 113 bond issuance projects, representing an increase over the Previous Year. US dollar-denominated primary bond issuance was still affected by the US Federal Reserve's interest rate hike, and the overall performance was sluggish, with the scale of US dollar-denominated bond issuance with a single issuance of more than US$100 million still on a downward trend compared with the Previous Year. With respect to the corporate finance business, the Group continued to develop its listing sponsor and stock underwriting business steadily. During the Reporting Year, the number of sponsor projects successfully listed on the Stock Exchange was 1 and the Group participated in 12 stock underwriting projects as a joint bookrunner or in roles of greater responsibilities. The asset management business has also made new progress in net worth management and product innovation. During the Reporting Year, the Group took multiple measures to seriously manage the net value of its asset management products. The performance of its asset management products was in a leading position among its peers. It successfully issued the CMBCC Money Fund, which further enriched the categories of asset management products, and filled the Group's gap in cash management products. In relation to the investment and financing business, the Group maintained a steady and flexible investment strategy while deploying investment products in diversified markets, including but not limited to listed bonds, listed equities, unlisted equities, unlisted funds and loans.

During the Reporting Year, the Group's total revenue (including net gains or losses from investment) was approximately HK$155.7 million, representing a decrease of approximately 70.0% from approximately HK$519.9 million in the Previous Year, the net loss for the Reporting Year was approximately HK$572.3 million, representing an increase of approximately 31.1% from approximately HK$436.6 million in the Previous Year. The Group achieved a total asset of approximately HK$4.56 billion as at 31 December 2023, representing a decrease of approximately 58.0% from approximately HK$10.85 billion as at 31 December 2022. With respect to dividend, the Board did not recommend the payment of a final dividend for the Reporting Year (Previous Year: Nil).

FUTURE OUTLOOK AND STRATEGY

Looking forward to 2024, investment sentiment will continue to be influenced by interest rate movements and changes in the geopolitical situation. Current market estimates that global interest rates are expected to begin to fall in mid-2024 amidst eased inflation. With 2024 being an election year for the US President, the likelihood of an accommodative interest rate policy in the US is further enhanced. These factors may be expected to favour the global economic outlook in the second half of 2024, thereby boosting investment sentiment for local stocks and IPOs.

FUTURE OUTLOOK AND STRATEGY (CONTINUED)

China's economy is expected to continue to recover in 2024, with infrastructure investment continuing to contribute to stable growth and consumer spending is expected to maintain a modest recovery. As the global central bank rate hiking process comes to an end, there is a chance that interest rate levels will start to fall slightly from their high levels, and China's monetary and fiscal policies will operate with more flexibility, which will provide strong support for the economic recovery. In Hong Kong, tourism and local demand will continue to be the main drivers of economic growth. With improved capacity and sustained recovery in hospitality, the number of tourists visiting Hong Kong is expected to further increase, thereby supporting the revival of the local retail and catering industries, which will continue to support local demand and benefit Hong Kong's economic performance.

Overall, Hong Kong and overseas financial markets are expected to face both risks and opportunities in 2024, and may be in a better position to begin recovery in the second half of the year.

The Group will adhere to the overall theme of resolute development and continuous innovation, and seriously implement the strategic plan of China Minsheng Bank to move towards capital-light investment banking, with the development of licensing businesses as its core strategy.

As an important member of the China Minsheng Bank Group and its offshore investment banking platform, the Group will rely on China Minsheng Bank's brand and client resources, focusing on strategic clients of its head office and branches in the PRC, exploring cross-border business opportunities for its overseas business, and providing a full range of investment banking services to its clients, with a view to becoming a platform for the provision of China Minsheng Bank's international investment banking products and services as well as a platform for the provision of financial services for cross-border business of its key clientele, and to create greater and longer-term investment return for the Shareholders.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is currently licensed to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and engage in financing and money lending business with the capacity as "exempted persons" defined in the Money Lenders Ordinance (no license required pursuant to the Money Lenders Ordinance). The Group has all material licenses required for services currently expected to be requested by most of its existing and potential clients.

During the Reporting Year, the Group's loss attributable to the owners of the Company was approximately HK$572.3 million (Previous Year: approximately HK$436.6 million), representing an increase of approximately 31.1% from the Previous Year. The Group's basic and diluted loss per share was HK51.04 cents for the Reporting Year (Previous Year: HK37.96 cents).

The Group's revenue and net gains or losses from investment decreased by approximately 70.0% to approximately HK$155.7 million during the Reporting Year, compared to approximately HK$519.9 million in the Previous Year. It was mainly due to the extremely depressed and volatile capital market in Hong Kong, the increase in loss of financial asset investment transaction and the strategic reduction in investment scale of the Group, as well as the decrease in the scale of asset management and external loans, resulting in the decrease in the income from financial investment, asset management and loans and financing during the Reporting Year.

The table below presents the breakdown of segment revenue and net gains or losses from investment and segment results:

	Segment Revenue and Net Gains or Losses from Investment		Segment Results	
	For the year ended 31 December 2023 HK$'000	For the year ended 31 December 2022 HK$'000	For the year ended 31 December 2023 HK$'000	For the year ended 31 December 2022 HK$'000
Securities	33,901	29,017	(14,797)	(60,769)
Fixed-income direct investment	137,268	428,175	(320,648)	(197,755)
Other investment and financing	(170,879)	(132,769)	(300,683)	(274,933)
Asset management	124,425	166,093	99,347	138,045
Corporate finance and advisory	31,030	29,390	10,084	8,431
Others	–	–	(34,289)	(43,832)
Total	155,745	519,906	(560,986)	(430,813)

BUSINESS REVIEW (CONTINUED)

Securities

The Group's securities business mainly includes the provision of brokerage services, securities margin financing services and bond underwriting services to clients.

During the Reporting Year, the revenue contributed by the securities segment increased to approximately HK$33.9 million, and the loss of segment results decreased to approximately HK$14.8 million, compared to the revenue and loss of approximately HK$29.0 million and HK$60.8 million, respectively, in the Previous Year. The increase in segment revenue and decrease in loss of segment results were mainly due to the increase of commission from customers and the decrease in the impairment loss of margin financing business during the Reporting Year.

As one of the flagship business segments of the Group, the bond underwriting business has been developing steadily and healthily. During the Reporting Year, the Group completed 113 offshore bond issuance for 88 issuers, the issuance currencies include US$, RMB, euros and yen, with a total underwriting value of approximately US$28.6 billion; the bond issuers include banks, non-banking financial institutions, large local state-owned enterprises and urban investment enterprises with good rating. While actively driving the steady development of its bond underwriting business, the Group strictly controls the underwriting risks and maintains high-quality issuers base. The Group has been diversifying its client base while increasing the proportion of bonds underwritten for state-owned enterprises with good rating and high-quality financial institutions. The underwriting for financial institutions, central government-owned enterprises and local state-owned enterprises accounted for approximately 98% of the total underwriting value in the Reporting Year, of which the financial institutions accounted for 59% of the total underwriting value. From the perspective of the issuer's qualification, during the Reporting Year, the investment-grade bonds underwritten by the Group accounted for approximately 72% of the total underwriting value. The overall qualification of the issuers was stable and there were no major risk events. The Group's debt capital market department also provides certain important bond issuer clients with international rating advisory services. During the Reporting Year, the Group's reputation and image in the Hong Kong capital market were favourable.

The Group continued to develop its securities brokerage business and margin financing business steadily. Its securities brokerage business includes trading shares, bonds and other valuable securities of listed companies for clients, while its margin financing business includes provision of stock secured financing for retail, corporate and high-net-worth clients requiring finance for purchasing securities. The Group adopts a relatively cautious development strategy as to its securities brokerage business and margin financing business.

BUSINESS REVIEW (CONTINUED)

Investment and Financing

During the Reporting Year, the external environment was more challenging. Inflation remained high, with upward pressure on US Treasury rates, although overall inflation rates are falling in most countries or regions. China's reopening at the beginning of the year has been successful in revitalizing its economy and driving global economic growth, but the recent weakened economic data indicated that the pace of recovery may not be as fast as originally expected. During the Reporting Year, the US Federal Reserve raised interest rates four times and kept benchmark rates at a high level, making the financial environment more difficult for clients. Prices of Chinese-issued US dollar-denominated bond remained broadly stable, but prices of high-yield Chinese-issued US dollar-denominated bond fell significantly, with the performance of A shares and Hong Kong stocks lagged behind those in Europe, the US and Japan. In this regard, the Group increased the provision for expected credit losses on certain high-yield bond investments and adjusted downwards the fair value of its investments in equity securities, and further strengthened risk control over financing business.

With respect to investment, the Group focuses on industries that are in the growth or expansion stage and have high entry barriers in the Greater China region. It actively seeks to invest in companies with outstanding core technology and relatively high potential in revenue growth and profitability. The Group also pays attention to high-tech innovative companies, medical and healthcare companies and other companies with high growth potential that comply with Chapter 18A of the Listing Rules.

In terms of financing, the Group provides customized financing solutions in different structures or forms according to customers' needs, providing a series of services including transaction structure design, coordinating the intermediary agencies and coordinating financing arrangements. Specific products include, but are not limited to, syndicated loans, asset-backed loans, merger and acquisition loans, equity pledge financing, bridge financing, etc. The Group adopts robust risk-control-oriented development strategies for financing.

Fixed-income direct investment

During the Reporting Year, revenue and net investment losses from the fixed-income direct investment segment, which included but not limited to coupon from listed bonds under direct investment, amounted to an aggregate of approximately HK$137.3 million as compared to approximately HK$428.2 million in the Previous Year. The segment recorded a loss of approximately HK$320.6 million in the Reporting Year as compared to loss of approximately HK$197.8 million in the Previous Year. The significant decrease in segment revenue was primarily due to the substantial reduction in bond investment scale during the Reporting Year, resulting in a significant decrease in bond income, as well as a significant year-on-year increase in investment loss. The increase in loss of segment result was primarily due to the significant decrease in revenue and increase in investment loss during the Reporting Year. However, the impairment losses on bond investments decreased year-on-year during the Reporting Year, resulting in the increase in segment loss to be less than the decrease in revenue. The provision for expected credit losses on bond investments was still relatively high in the Reporting Year as some of the defaulted real estate bond issuers did not have a clear restructuring plan yet, which increased the uncertainty of repayment.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing

During the Reporting Year, revenue and net investment gains or losses from the other investment and financing segment, which included but not limited to coupon, dividend and distribution income from listed bonds (other than those under fixed-income direct investment), listed equities, unlisted equity interests and unlisted funds, as well as interest income from loans, amounted to an aggregate of approximately -HK$170.9 million as compared to approximately -HK$132.8 million in the Previous Year. The increase in negative amount of segment revenue and net investment gains or losses was primarily due to the decrease in interest income from investment projects and the continuous decrease in the fair values of investment projects. Segment loss increased to approximately HK$300.7 million, compared with the loss in the Previous Year of approximately HK$274.9 million. The increase in segment loss was primarily due to the increase in negative amount of segment revenue and net investment gains or losses.

The following table sets out the breakdown of investment and financing:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Investment		
Listed equities (measured at FVTPL)	23,066	68,207
Listed equities (measured at FVOCI)	17,710	27,862
Unlisted equity interests	200,933	259,277
Bonds (measured at FVOCI)	2,252,108	6,030,539
Bonds (measured at FVTPL)	383,707	1,516,117
Bonds (measured at amortised cost)	15,740	–
Unlisted funds	643,242	772,478
Total	3,536,506	8,674,480
Financing		
Loans and advances	55,137	439,888

As at 31 December 2023, the Group's investment portfolio mainly included but not limited to listed equities, bonds, unlisted equity interests and unlisted funds, covering a wide range of sectors such as industry, healthcare, technology, consumer goods, real estate and finance.

As at 31 December 2023, the assets of the proprietary investment of the Group amounted to approximately HK$3.5 billion (2022: approximately HK$8.7 billion), including bonds investment of approximately HK$2.7 billion (2022: approximately HK$7.5 billion). The future performance of such portfolio will depend on many factors, including the uncertainty in the financial markets, the economic development in both Hong Kong and Mainland China and investors' sentiment.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

During the Reporting Year, the Group's investment portfolio generated total revenue of an aggregate of approximately HK$267.8 million (Previous Year: approximately HK$538.8 million), including interest income of approximately HK$93.8 million (Previous Year: approximately HK$233.9 million) from debt securities investments, interest income of approximately HK$33.9 million (Previous Year: approximately HK$61.6 million) from FVTPL investments and dividend income and other investment income of approximately HK$140.1 million (Previous Year: approximately HK$243.3 million).

For investments classified as financial assets measured at FVOCI and FVTPL, the Group recorded a net loss during the Reporting Year which mainly comprised: (i) net losses from disposal recognised in the consolidated statement of profit or loss and other comprehensive income; (ii) net loss not recycled through profit or loss upon disposal of financial assets measured at FVOCI; and (iii) fair value losses recognised in fair value reserve through other comprehensive income.

The Group maintains a consistent stable principle for its proprietary bond investment, adopts revenue-based (including charging fixed contractual interest and receiving gains on disposal) trading strategy. Adopting a top-down/bottom-up approach in its investment analysis, the Group is committed to identifying investment opportunities with sustainable and high-level revenue within limited volatility. The Group adopts a prudent risk management strategy and makes a reasonable risk estimate for its investments in order to strike a balance between risk management and revenue generation. At the same time, the Group adheres to the principle of investment diversification and has established explicit guidelines which stipulate that the position in any single bond shall not account for more than 5% of the overall position at the time of acquisition, and the portfolio shall be diversified by investing in various issuers in a wide range of sectors.

The unlisted direct investment business of the Group, which included equity interests and funds, mainly focuses on high-tech innovative enterprises and new consumption enterprises that have large growth potential.

The Group engages in financing and loan provision business in the capacity of an "exempted person" as defined under the Money Lenders Ordinance which does not require a licence under the Money Lenders Ordinance. The Group conducts the relevant business by relying on the said exemption by virtue of China Minsheng Bank being a bank, i.e. an authorized institution, which holds a valid banking licence under the Banking Ordinance (Cap. 155, Laws of Hong Kong).

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

The loan business of the Group focuses on short-to-mid term financing so as to maintain the flexible configuration and high liquidity of the Group's assets. During the Reporting Year, the Group granted loans to three market players ("Borrowers"), involving various types of market players in consumer discretionary industry. The Group implements pre-, peri- and post-investment management. Through putting in place practicable risk control measures and rigorous risk review on each client and each project, the overall credit and operation risk of the loan business of the Group are controllable. The Group constantly monitors and adjusts concentration, maturity profile and risk-to-revenue ratio of the asset portfolio to strike a balance between the overall risk and revenue generation.

The Group's finance provision business has been conducted using the unsecured loan from CMBCI. The interest rate is determined according to the market interest rate. Specifically, at each quarter of the Reporting Year, the interest rate was determined with reference to the applicable HIBOR/LIBOR/Term SOFR rate plus a reasonable margin and funding cost of CMBCI. During the Reporting Year, in supporting the business development of the Group, the annual interest rate charged to the Group by CMBCI was 4%.

As a general principle, the Group chooses customers with good financial position and steady business operation (no quantitative benchmark), which enable them to pay loan interest and repay the loan principal in accordance with the proposed repayment schedule, as assessed by the Group before granting them the loans.

In deciding whether to grant the loan to corporate customers, the Group does not have any specific requirements on the customers' industry, business operation location, minimum amount of revenue and profit in the last 12 months, minimum amount of total assets, financial benchmarks or operation history. Each application is considered on a case-by-case basis. As a general principle, the Group will take into account factors such as whether the credibility of the customers can match the amount of loans to be granted, whether the securities to be provided by the customers are sufficient in value and whether they are liquid, and whether the proposed term and interest rate of the loans can match the overall credibility of and securities to be provided by such customers.

In relation to individual customers, the Group currently does not have any specific requirements on the age group, occupation, minimum monthly income or minimum amount of assets. Each application is considered on a case-by-case basis. As a general principle, the Group will take into account factors such as the customers' credit history, assets, the quality and liquidity of the securities provided, and the size and terms of the loan. During the Reporting Year, the Group had not granted loans to individual customers.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

All the loans were secured by pledge(s) over shares of private or listed companies and a majority of them was also guaranteed by the respective ultimate beneficial owner(s) of the Borrowers.

All of the Borrowers and their ultimate beneficial owners are independent third parties of the Group and had no past business or dealing with the Group. They were sourced by the Group's deal teams via market information and were not referred by the senior management of the Group. The Group did not have any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with any connected person of the Group with respect to the granting of loans to the Borrowers.

The loan terms were determined with reference to factors including the cost of funding, customers' requirements, credit assessment on customers (including income of customers), value, liquidity and enforceability of collaterals, prevailing market interest rates for similar loans, prevailing market condition, the term of the loan and the use of proceeds.

The principal amount of loans as at the end of the Reporting Year were in the range from US$3,600,000 to US$30,000,000, denominated in US$. The proposed usages of the loan proceeds were refinancing existing indebtedness or financing general working capital of the Borrowers. Pursuant to the relevant agreements, the interest rates charged to the Borrowers for the outstanding loans were ranging from 7% to 16% per annum. The interest of the outstanding loan, which was not past due, was payable quarterly with the maturity profile from around 8 months.

The aggregate amount of loan receivables of the Group at the end of the Reporting Year was approximately HK$286,740,000 (2022: approximately HK$581,537,000), among which: (i) the amount of loan receivables due from the largest Borrower was approximately HK$177,421,000 (2022: approximately HK$180,000,000), representing approximately 62% (2022: approximately 31%) of the total loan receivables of the Group; (ii) the amount of loan receivables due from all three Borrowers was approximately HK$286,740,000 (the amount of loan receivables due from the five largest Borrowers in 2022: approximately HK$545,786,000), representing 100% (2022: approximately 94%) of the total loan receivables of the Group; and (iii) the amount of expected credit loss allowance made for the loan receivables was approximately HK$231,603,000 (2022: approximately HK$141,649,000) which was determined by expected credit loss model (the "**ECL Model**") or valuation prepared by independent professional valuer. As at 31 December 2023, loan receivables from two Borrowers with an aggregate amount of HK$258,119,000 was over 90 days past due, and the remaining balance of loan receivables with amount of HK$28,621,000 was not past due.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

As disclosed in the Company's announcement dated 5 January 2023, on 5 January 2023, the Group entered into a supplemental deed with a Borrower (who is an independent third party), pursuant to which the Group and the Borrower agreed to the extension of the repayment dates of loans in the aggregate amount of HK$160,000,000 up until or before 18 December 2023 subject to the terms and conditions of the supplemental deed. As the highest relevant applicable percentage ratio (as defined in the Listing Rules) in respect of the aforesaid loans exceeds 5% but is less than 25%, the grant of the extension constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The aforesaid loans were repaid in full on 18 December 2023.

Save as disclosed above, as (i) all the Borrowers and their ultimate beneficial owners are independent third parties of the Group, and (ii) all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the each of the loans granted to the Borrowers were less than 5%, each of the loans was not subject to disclosure requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules.

The Group has in place practice guidelines for controlling the overall credit and operation risk, loan recoverability monitoring and loan collection. After the grant of loan, the business team and risk management department of the Group together monitor the financial conditions of the customers and the collaterals or the guarantors (if any) on a regular basis and take appropriate follow-up action with the transaction counterparties including follow up calls and site visits where the financial condition of the transaction counterparties deteriorates or the value of the collaterals decreases dramatically.

The Group monitors the revenue, profit and cash flows, as well as asset quality of the borrowers and guarantors (collectively, "Obligors") to assess their financial conditions. In particular, the Group assesses the Obligors' capability to generate steady profit and cash flows. Further, the Group reviews the business development of the Obligors and assesses whether their financial performance meets the expectations, and whether their milestones (if any) are completed as scheduled. In addition, the Group monitors the size of other debts of the Obligors and their repayment schedules (if obtainable), and assesses whether the Obligors have the corresponding repayment ability. Further, the Group monitors whether the Obligors are able to cover their capital expenditures with operating cash flows and external funding. The Group also pays attention to the news and other public information of the Obligors. Where the customer is a listed company, the Group monitors its announcements and the financial information disclosed to the public.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

For the collaterals, the Group values the collaterals regularly on a semi-annual or annual basis. If the collaterals are listed shares, the Group monitors the market performance and price movement on daily basis. Where the collateral is a real property, the Group requires a professional third-party valuer to issue a valuation report.

The Directors ensure the effectiveness of the Group's risk management and internal control systems for credit risk exposure assessment and management, loan recoverability and collateral adequacy through their design and participation in the Group's three-tiered risk management and internal control framework.

(i) At the Board level, the Risk Management and Internal Control Committee holds half-year meetings to review and evaluate the risk management and internal control systems and assess their effectiveness through reviewing the risk management report submitted by the Company, discussing with the management on the major findings and management's responses to these findings and suggestions and ensuring the Company provides timely enhancement or ratifications to issues raised. The Audit Committee holds quarterly meetings, two of which are held to review and evaluate the consolidated financial statements of the Group for the relevant reporting period (including the accounting policies and practices in respect of the impairment assessment), and review and monitor effectiveness of the Group's risk management and internal control systems through reviewing the internal audit report submitted by the Company, discussing with the management on relevant findings and suggestions, considering management's response to these findings and suggestions, and urging the Company to complete any ratification timely.

(ii) At the management level, all executive Directors of the Company are members of the investment committee, which is set up by the management. The executive Directors participate and vote in the investment committee meetings held from time to time to evaluate and approve investment, divestment or enforcement of loan transactions. During the meeting, the executive Directors assess various matters such as the credit risk exposure, recoverability of the loan, adequacy of the collateral, commercial rationale, fairness and reasonableness of the key terms and conditions, benefits to the Group and its shareholders, through reviewing the due diligence report submitted by business units and discussing the proposed transactions with other investment committee members including heads of risk management, legal and compliance. During the meeting, the executive Directors also request additional approval conditions or enforcement action for business units to execute in order to mitigate credit risk exposure and increase recoverability of the loan and adequacy of the collateral.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

(iii) Further, at the management level, the executive Directors participate and vote in management meetings held from time to time to review and approve the Group's credit policies. In particular:

(a) In order to mitigate credit risk exposure, the management has approved the procedural guidelines and the concentration-restriction policy for the Group's investment and financing business, as well as the issuer whitelist for debt investments;

(b) In order to monitor the recoverability of loans, the management has approved the post-investment policy, pursuant to which the Group holds monthly meetings for each of the outstanding loan projects. During the meetings, the business units report to the risk management department and the management in charge on the Obligors' progress of loan repayment, completion of any milestone events, and discuss the Obligors' latest operation condition, financial status including collateral value and relevant market and industry information; and

(c) In order to monitor the adequacy of collaterals, the management has approved the collateral management policy, pursuant to which the Group requires valuation of collaterals periodically.

(iv) At the department level, the executive Directors supervise work conducted by departments responsible for executing risk management tasks (including business units, legal and compliance department, and risk management department), which monitor business operations throughout the entire process. In particular, the front office business unit conducts due diligence on proposed transactions. The middle office including risk management, legal and compliance departments review the risks, legal and compliance issues involved in each transaction. The investment committee approves each transaction. The internal audit department independently inspects by spot checking on a completed transaction and ensures its initiation, approval and execution meets the Group's internal control policies and procedures, and report to the Audit Committee.

As discussed above, the Directors fulfill their obligations in overseeing lending transactions by (a) reviewing and monitoring the effectiveness of the Group's internal control and risk management system by members of the Risk Management and Internal Control Committee and Audit Committee, (b) participating in the investment committee meetings and approving policies providing guidelines and procedures in investment and financing business, and supervising the relevant departments on their work during due diligence, negotiation and execution process by the executive Directors, and (c) regularly receiving independent inspection reports from internal audit department.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

In particular:

(i) before a proposed lending transaction can be submitted to investment committee for assessment, the Directors (through policies providing guidelines and procedures approved by them) require completion of relevant due diligence, site visits and research, know-your-client exercise, connected transaction and anti-money laundering reviews, commercial risk reviews, and key term reviews by business units, risk management department and legal and compliance department;

(ii) during the investment committee meeting, the reporting and discussion focus on the borrower's and guarantor's repayment capacity, repayment sources, transaction structure, guarantee measures, collateral value and liquidity, loan purpose, and the reasonableness of core terms such as amount and duration. The executive Directors also examine the borrower's operational and financial status, industry trends, and the borrower's position within the industry, ensuring that the borrower has adequate repayment capacity and willingness at the time of approval and granting of the loan. Only projects approved by the investment committee can proceed to the implementation stage;

(iii) during negotiation and execution stages, the executive Directors also request the Group's own legal department and engaged external lawyers to review financing agreements and related documents.

All of the above measures help support and facilitate the Directors' critical assessment (i) of the commercial rationale for entering into each of the lending transactions of the Group, (ii) on whether the terms are fair and reasonable, and (iii) on whether the use of funds by the Group is in the interests of the Group and its Shareholders as a whole.

Where an Obligor is in default, the Group shall take necessary action(s) to safeguard its interests which includes but not limited to, issuing demand letters, enforcing the loan collaterals, negotiating for settlement plans, and/or commencing legal proceedings. Prior to taking any such actions, the investment committee normally convenes a meeting to consider and approve the necessary action(s). To the extent necessary, the Group also seeks advice from third party advisors such as receivers, legal advisors and valuers.

The Group has established the ECL Model to measure the credit losses and impairment of the loans that reflects the changes in credit risk of the underlying assets. The management has the overall responsibility for the Group's credit policies and oversees the credit quality of the Group's receivables and loans portfolio. In addition, the management assesses the recoverable amount of loan receivables individually and incorporates them into the Group's ECL Model which is reviewed or audited by the Group's auditors at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

The Group's provision for impairment of financing and money lending business during the Reporting Year was approximately HK$89,954,000 (Previous Year: approximately HK$88,368,000). The slight increase in provision for impairment was mainly due to the non-repayment by two Borrowers during the Reporting Year, coupled with the fact that one of the two Borrowers has been in the process of liquidation since mid-2023, which increased the likelihood of non-repayment. As at the date of this annual report, the Group has been taking various steps and actions to recover the loan, including but not limited to commencement of legal proceedings and filing winding up petitions.

Further details of the loan and advances and ECL Model for the Reporting Year are set out in notes 2(s), 20 and 37(a) to the consolidated financial statements.

Asset Management

The Group's asset management business covers SFC authorised funds (commonly known as "public funds"), private funds, discretionary managed accounts and investment advisory services, and is committed to providing one-stop, multi-level asset management service solutions to clients based on their needs. Among which, there are two major categories of public funds, namely bond funds and debt-equity hybrid funds; private funds include private equity-investment funds, hybrid multi-strategy funds, structured funds and money market funds, etc.

During the Reporting Year, against the background of rapid interest rate hikes by the US Federal Reserve and significant fluctuations in the capital market, the Group actively responded to the complex and volatile market environment and continued to optimize its investment structure and improve asset quality. The Group started from multiple dimensions such as list access, duration control, yield calculation, concentration management, etc., and focused on the net value management of asset management products, enhanced the risk resistance of the portfolio, and made every effort to avoid loss of investment principal in the weak market atmosphere and strived to create profits. As at 31 December 2023, the performance of public funds was in the leading position among its peers. CMBC Aggregate Greater China Select Bond Fund ranked third for three consecutive quarters in the 2023 Hong Kong Offshore Chinese Greater China Bond Public Fund One-Year Performance List and Three-Year Performance List jointly announced by Wind Information and the Chinese Asset Management Association of Hong Kong, and was awarded the "China Offshore Bonds (3 Years)" Investment Performance Award in the 2024 Professional Investment Awards held by the Insights & Mandate magazine.

On 23 June 2023, the Group seized the market opportunity and issued its first money market fund. The fund primarily invests in government bonds, central bank bills and deposits or deposit certificates of varying maturities issued by commercial banks primarily operating in Greater China, as well as other lower-risk assets, aiming to create stable returns for investors that match the returns in the cash management market.

BUSINESS REVIEW (CONTINUED)

Asset Management (Continued)

During the Reporting Year, revenue and profit of approximately HK$124.4 million and HK$99.3 million, respectively, were recorded for the Group's asset management segment, as compared to approximately HK$166.1 million and HK$138.0 million, respectively, in the Previous Year. The decrease in segment revenue and profit was mainly due to the decrease in management fee income as a result of the reduction in asset management scale during the Reporting Year, as well as the decrease of performance fee income recognized.

Corporate Finance and Advisory

During the Reporting Year, China's economy was facing uncertainties in various aspects due to the complex international situation and the strengthening of industrial regulations, and the amount raised by general issuers dropped sharply. Despite the unstable market condition, the Group remained successful in assisting the successful listing of Star Plus Legend Holdings Limited (stock code: 6683) on the Main Board of the Stock Exchange during the Reporting Year, which is principally engaged in the business of new retail and IP creation and operations. The projects that were successfully listed and the projects that the Group had submitted listing applications covered the industries including social new retail and special purpose acquisition companies. With respect to stock underwriting, despite the uncertain market condition, the Group, with its excellent underwriting ability, completed a total of 12 stock underwriting projects during the Reporting Year, of which the Group acted as the overall coordinator for two of the stock underwriting projects, Ubtech Robotics Corp Ltd (stock code: 9880) and Zhongtian Construction (Hunan) Group Limited (stock code: 2433), while the other projects covered industries of gold exploration, mining and processing, shipping, logistics, education information technology, livestock farming, cleaning and maintenance, fire-fighting engineering, construction materials, being the industries that have attracted recent investor attention. In respect of client referral services, by combining its rich resources on the domestic client side and years of mature operational experience on the offshore product side, the Group has gradually formed a diversified product and service synergy matrix, including insurance referral and non-financial services.

During the Reporting Year, the Group's corporate finance and advisory segment recorded revenue of approximately HK$31.0 million (Previous Year: approximately HK$29.4 million), and recorded segment profit of approximately HK$10.1 million (Previous Year: approximately HK$8.4 million). The slight increase in segment revenue and profit respectively was due to the income generated from client referral services during the Reporting Year.

BUSINESS REVIEW (CONTINUED)

Administrative Expenses and Finance Costs

Administrative expenses and finance costs for the Reporting Year amounted to an aggregate of approximately HK$403.3 million (Previous Year: approximately HK$434.3 million). The analysis is set out below:

	For the year ended 31 December 2023 HK$'000	For the year ended 31 December 2022 HK$'000
Staff costs	**62,822**	**95,046**
Depreciation and amortisation	**22,548**	**22,224**
Other operating expenses	**57,777**	**50,882**
Finance costs	**260,193**	**266,109**
Total	**403,340**	**434,261**

The decrease in staff costs was mainly due to the staff turnover and decrease in bonus during the Reporting Year.

The increase in other operating expenses was mainly due to the increase in transaction costs on investments incurred during the Reporting Year.

The decrease in finance costs was mainly due to decrease in financing scale as a result of the strategic reduction in investment scale during the Reporting Year.

FINANCIAL REVIEW

Capital Structure

Details of the changes in equity for the year ended 31 December 2023 are set out in the Consolidated Statement of Changes in Equity.

As at 31 December 2023, the total number of the issued share capital with the par value of HK$0.4 each was 1,119,361,693 and the total equity attributable to Shareholders was approximately HK$1,252.7 million (2022: approximately HK$1,599.4 million).

During the Reporting Year, no Shares had been purchased or granted to the selected persons of the Group under the share award scheme which was adopted in February 2016.

FINANCIAL REVIEW (CONTINUED)

Liquidity and Financial Resources

The Group primarily financed its operations with internally-generated cash flows, borrowings, its internal resources and Shareholder's equity.

As at 31 December 2023, the Group had current assets of approximately HK$4,445.8 million (2022: HK$10,739.1 million) and liquid assets comprising cash (excluding cash held on behalf of customers), investment in listed equity securities and debt investments totaling approximately HK$3,062.1 million (2022: HK$8,536.3 million).

The Group's current ratio as at the end of the Reporting Year, calculated based on current assets of approximately HK$4,445.8 million (2022: HK$10,739.1 million) over current liabilities of approximately HK$3,257.1 million (2022: HK$9,173.9 million), was approximately 1.4 (2022: 1.2).

The Group's finance costs for the Reporting Year mainly represented the interest on loans from an intermediate holding company of approximately HK$116.9 million (Previous Year: HK$148.9 million), interest on repurchase agreements of approximately HK$140.9 million (Previous Year: HK$105.3 million), and interest on lease liabilities of approximately HK$2.4 million (Previous Year: HK$3.0 million).

As at 31 December 2023, the Group's indebtedness mainly comprised loans from CMBCI and financial assets sold under repurchase agreements of approximately HK$2,834.0 million (2022: HK$8,624.7 million). The loans principal from CMBCI of approximately HK$1,789.3 million (2022: HK$4,649.7 million) were denominated in Hong Kong dollars and United States dollars and borne interests at rate of 4% per annum (2022: 2.5% per annum) and were repayable within one year. As at 31 December 2023, there were no notes payable (31 December 2022: nil). As at 31 December 2023, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss with carrying amount of approximately HK$1,340.6 million (2022: HK$4,912.1 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was approximately 69.3% (2022: approximately 84.4%).

With the amount of liquid assets on hand, the management of the Group is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

FINANCIAL REVIEW (CONTINUED)

Pledge of asset

Except as otherwise disclosed, as at 31 December 2023, the Group did not have other pledge or charge on asset (31 December 2022: Nil).

Contingent liability

Except as otherwise disclosed, as at 31 December 2023, the Group did not have other significant contingent liability (31 December 2022: Nil).

Capital commitment

As at 31 December 2023, the Group did not have any significant capital commitment (31 December 2022: Nil).

Significant investments held

During the Reporting Year, the Group did not hold any single significant investment which accounted for over 5% of its total assets.

Material acquisitions and disposals of subsidiaries and associates

For the year ended 31 December 2023, the Group had no material acquisitions or disposals of subsidiaries and associates.

FINAL DIVIDEND

The Board did not recommend any final dividend to the Shareholders for the year ended 31 December 2023 (Previous Year: nil).

FOREIGN CURRENCY RISK MANAGEMENT

The Group's revenue is mainly denominated in United States dollars and Hong Kong dollars while its expenditure is mainly denominated in Hong Kong dollars. The Group's foreign exchange exposure is mainly from the translation of assets and liabilities denominated in United States dollars. As Hong Kong dollars are pegged to United States dollars, the Directors believe that the Group's foreign exchange exposure is manageable and the Group will closely monitor this risk exposure from time to time.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2023, the Group had about 72 (2022: 75) employees. For the Reporting Year, the total staff costs, including the Directors' remuneration, was approximately HK$62.8 million (Previous Year: approximately HK$95.0 million). Remuneration packages for the employees are structured by reference to market terms, individual competence, performance and experience. Benefits plans provided by the Group include mandatory provident fund scheme, subsidised training program, share award scheme and discretionary bonuses.

Management Discussion and Analysis

OUTLOOK

Prospect

Although the Group is optimistic about the long-term sustainable economic growth in the Mainland China and Hong Kong, in short run, the Hong Kong's capital market is challenging. Licensed businesses are struggling to generate revenue and the Group faces high cost of liabilities and significant pressure on asset-side returns. In the meantime, the People's Bank of China lowered the deposit reserve ratio in 2023 to provide liquidity for the government's bond issuance, and also lowered the policy interest rate to reduce corporate financing costs. It is expected that the Chinese government will continue to adopt its supportive monetary policies in 2024 to restore business confidence and promote economic growth, which will bring opportunities for the continued operations, profitability and financing capabilities of various companies, including the Group's clients. The Group will adhere to its established strategy of prioritizing risk management, internal control and compliance and, while upholding the above commitments, the Group will, at the same time, assess the situation, seek and capitalize on the potential investment opportunities to increase the Group's return.

Development Strategy

The Group will adhere to the strategy of "One Minsheng" and conscientiously implement policies made by China Minsheng Bank. Leveraging its competitive advantages in relation to internationalization and its Hong Kong licensed investment banking services, the Group will promote cross-border business synergies and coordination, so as to accommodate the diversified financial services needs of China Minsheng Bank and its clientele in an all-round manner; maximize its role as a platform to develop its licensed business and to build a capital-light investment bank; continue to improve its corporate governance and to strengthen its risk management capabilities; and fully utilize its professional expertise, attract professional talents, and build a professional and efficient team. Specific measures are set out below:

(1) Steadily enhance the competitiveness of the investment banking business. Based on our research and investment focus on TMT, new energy, high technology, huge consumption and social services, biomedical and mergers and acquisitions, the Group will continue to attract and recruit talents to enhance the team's execution capabilities, and cooperate with renowned equity investment institutions and brokerage firms extensively in order to expand the pipeline of sponsorships. Meanwhile, the Group has been vigorously developing business opportunities in the US stock market. In terms of bond underwriting business, the Group has been focusing on securing the role as an overall coordinator to enhance our revenue-generating capacity. The Group has been vigorously promoting our client-appointed asset management business, improving the net value management of our asset management products, and improving the collaborative marketing of our asset management products, so as to seize the development opportunities arising from the integration of the Greater Bay Area and interconnection between the two places, and to build an all-rounded and diversified asset management platform.

OUTLOOK (CONTINUED)

Development Strategy (Continued)

(2) Comprehensively build up the wealth management business segment. The Group has introduced a team of professional, efficient and competent wealth management talents to provide high-quality services to meet the overseas wealth management needs of various types of high-net-worth clients, and to cultivate new business growth points through the mutual empowerment of wealth management and investment banking.

(3) Comprehensive enhancement of risk management and compliance capabilities. The Group will further improve its comprehensive risk management system, closely monitor the implementation of risk threshold, and take precautions and warnings in advance to effectively prevent credit risks. Meanwhile, the Group will further improve the assessment and review of our legal, compliance and anti-money laundering policies, and establish a corporate culture in which compliance management is one of the competitive advantages.

(4) Continue to focus on and cultivate quality customers. The Group will continue to enhance its marketing efforts and cultivate quality customers, attract high-quality customers for multifaceted co-operation; the Group will actively explore opportunities from the strategic customer segments of the head office and branches of China Minsheng Bank, and provide a one-stop offshore investment banking services to them in a comprehensive manner.

(5) Accelerate the forming of the research team, establish a research brand and empower the development of various business lines. To establish a mechanism for mutual sharing of research results and mutual exchange of personnel with the research team of China Minsheng Bank, and to further expand the sell-side research team of overseas investment banks, so as to create value through research, and empower the Group's business development, enhance the Group's image and competitiveness, and achieve high-quality development of the Group.

Risk Management Capabilities

The Group is committed to continuously strengthening its overall risk management capability and has always attached great importance to risk management and internal control. The Board has established the Risk Management and Internal Control Committee to oversee the overall risk management framework of the Group and determine the overall risk appetite and risk management strategy of the Company. The Group takes a pragmatic approach to managing different risks based on the professional category and has implemented all-rounded risk management, primarily including credit risks, market risks, risks of legal compliance, operation risks and liquidity risks. The Group has implemented all-rounded risk management policies and internal monitoring procedures, in order to monitor, evaluate and manage the risks involved in various businesses. The Group strictly performs risk management tasks within the existing governance framework, enhances risk management and compliance culture and philosophy, and continues to improve the risk management measures and internal control system.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Baochen ("Mr. Li"), aged 46, was appointed as an executive Director, the Chairman of the Board, Chairman of both the Executive Committee and Strategic Development Committee, and a member of the Risk Management and Internal Control Committee of the Company on 6 January 2023. He was also appointed as a director of CMBCI on 30 December 2022 and was appointed as a director of CMBC Investment (HK) Limited (a directly wholly-owned subsidiary of the Company) on 20 March 2023.

Mr. Li has over 19 years of experience in the financial services industry. Prior to joining the Group, Mr. Li was an executive director and chief executive officer of China Industrial Securities International Financial Group Limited (a company listed on Stock Exchange; Stock Code: 6058) from 13 January 2020 to 6 December 2022. Mr. Li was also appointed as a director and chief executive officer of Industrial Securities (Hong Kong) Financial Holdings Limited, and a legal representative, an executive director and a general manager of Industrial Securities Consultancy Service (Shenzhen) Company Limited* and director of IS (Hong Kong) Investment Limited on 31 July 2019, 19 May 2020 and 5 June 2020, respectively. Mr. Li was the product manager of personal banking of Industrial and Commercial Bank of China, Shenzhen Branch, the general manager of the market research and development department of China Lianhe Credit Rating Co., Ltd., and the managing director, deputy general manager and general manager of the fixed income business headquarter of Industrial Securities Co., Ltd.* (a company listed on the Shanghai Stock Exchange; Stock Code: 601377.SH).

Mr. Li obtained a master's degree in economics from Nankai University, the PRC in July 2003.

Mr. Li Ming ("Mr. Li Ming"), aged 43, was appointed as an executive Director, the General Manager and a member of each of the Executive Committee, Risk Management and Internal Control Committee and Strategic Development Committee of the Company on 6 January 2023. He was appointed as the deputy general manager of CMBCI on 28 December 2022. Mr. Li Ming was appointed as a director of both CMBC Capital Finance Limited ("**CMBC CF**", a direct wholly-owned subsidiary of the Company) and CMBC Securities, respectively, on 20 March 2023. Mr. Li Ming was also appointed as a director of both CMBC Asset Management Company Limited and CMBC Insurance Consultancy Co Limited, wholly owned subsidiaries of the Company, on 30 May 2023.

Mr. Li Ming has over 21 years of experience in the financial services industry. Prior to joining the Group, Mr. Li Ming has held various positions in China Minsheng Bank and its CMBC HK Branch from 2006 to 2022, with his last position as the vice president (alternate chief executive officer) of CMBC HK Branch. Prior to that, Mr. Li Ming was a relationship manager in the Head Office Banking Operation Department (International Business Department) of China CITIC Bank.

Mr. Li Ming graduated from Central University of Finance and Economics with a bachelor's degree in economic information administration and a master's degree in business administration.

* *For identification purpose only*

Directors and Senior Management

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Ng Hoi Kam ("Mr. Ng"), aged 50, joined the Company as the deputy general manager in September 2017 and was appointed as an executive Director on 26 October 2017. Mr. Ng is also a member of each of the Executive Committee and the Strategic Development Committee. Mr. Ng has over 20 years of experience in the investment banking and financial industry focusing on the areas of initial public offerings, mergers and acquisitions, corporate restructuring and other financial advisory services to listed companies and listing applicants in Hong Kong. He led and completed a number of capital markets deals in various sectors including healthcare, technology, utilities and financial, as well as large-scale and complicated merger and acquisition deals including those involving state-owned enterprises of the PRC. Mr. Ng served as the managing director of corporate finance in Haitong International Capital Limited before joining the Group. From July 1997 to December 2000, he worked in Arthur Anderson & Co (now known as PricewaterhouseCoopers). Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants. He received his Master of Economics from the University of Hong Kong and Bachelor of Business Administration from the Chinese University of Hong Kong.

Mr. Ng is a Responsible Officer and a director of each of CMBCIC and CMBC Securities, both of which are direct wholly-owned subsidiaries of the Company. CMBCIC is licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and CMBC Securities is licensed by the SFC to carry out type 1 (dealing in securities) and type 4 (advising on securities).

NON-EXECUTIVE DIRECTORS

Mr. Li Wenshi ("Mr. Li Wenshi"), aged 46, was appointed as a non-executive Director of the Company on 29 June 2021. Mr. Li Wenshi is also a member of each of the Nomination Committee, Remuneration Committee and Strategic Development Committee of the Company. Mr. Li Wenshi is the general manager of the strategic client department of China Minsheng Bank. Mr. Li Wenshi has 20 years of experience in the banking industry. Since 1998, Mr. Li Wenshi has held various positions in the energy finance division, the group finance division, the asset preservation division, the Taiyuan Branch and the Tianjin Branch of China Minsheng Bank. Mr. Li Wenshi was honored by China Minsheng Bank as a "Person Making Great Contribution to the Development of China Minsheng Bank" and a "Person Touching China Minsheng Bank with Great Spirit". In 2011, he was awarded with the title of "Expert in Financial Services" by the National Committee of Chinese Financial Workers' Union. Mr. Li Wenshi holds a master's degree in EMBA from Tsinghua University.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Yang Kunpeng ("Mr. Yang"), aged 46, was appointed as a non-executive Director of the Company on 29 June 2021. Mr. Yang is also the chairman of the Risk Management and Internal Control Committee. Mr. Yang joined the Communist Party of China in January 2007. Mr. Yang has extensive experience in the banking industry and has been the general manager of the Investment Banking Department of the head office of China Minsheng Bank since March 2021. In 2003, Mr. Yang worked as the senior manager of credit series in the credit management department of Industrial and Commercial Bank of China Limited ("**ICBC**"). From June 2011 to March 2019, he held various positions in China Minsheng Bank, including director of product risk management center of risk management department of the head office, member of party committee, secretary of discipline inspection commission, assistant to president and vice president of the Tianjin Branch. From April 2019 to February 2021, he served as deputy party secretary, director and general manager of Minsheng Royal Asset Management Co., Ltd. Mr. Yang holds a bachelor's degree in business administration from the Business School of Renmin University of China and a master's degree in business administration from the School of Management, Xi'an Jiaotong University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee, Cheuk Yin Dannis ("Mr. Lee"), aged 53, was appointed as an independent non-executive Director on 7 June 2017. Mr. Lee is also the chairman of the Audit Committee and a member of Risk Management and Internal Control Committee. Mr. Lee is a first-class honor graduate with a bachelor's degree in Business Administration from Texas A&M University, and a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants (AICPA). He currently holds the positions of managing director of DLK Advisory Limited, independent non-executive director and the chairman of the audit committee of each of Tiangong International Company Limited (Stock Code: 826), Cathay Media and Education Group Inc. (Stock Code: 1981) and C&D Property Management Group Co., Ltd. (Stock Code: 2156). He is also an independent non-executive director of Luen Thai Holdings Limited (Stock Code: 311). Mr. Lee has over 20 years of experience in business operations and expansion, operations in the capital market and accounting, and successfully planned and completed many important initial public offerings and corporate financing projects. Mr. Lee was an executive director of both AMCO United Holding Limited (Stock Code: 630) (resigned in 2011) and AMVIG Holdings Limited (Stock Code: 2300) (resigned in 2010), a non-executive director of Kam Hing International Holdings Limited (Stock Code: 2307) (resigned in 2011), an independent non-executive director of Meilleure Health International Industry Group Limited (Stock Code: 2327)(resigned in 2015) and Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited) (Stock Code: 1537) (resigned in 2019), Beijing Gridsum Technology Co., Ltd. (a company listed on NASDAQ (Symbol: GSUM)) (resigned in 2021) and Geely Automobile Holdings Limited (Stock Code: 175) (resigned in 2022).

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Wu Bin ("Mr. Wu"), aged 51, was appointed as an independent non-executive Director on 7 June 2017. Mr. Wu is also the chairman of each of the Nomination Committee and the Remuneration Committee and a member of each of the Strategic Development Committee and the Audit Committee. Mr. Wu is the current president and partner of Zhongping Capital and an equity investment and insurance private equity evaluation expert at Insurance Asset Management Association of China. Mr. Wu holds a doctor's degree in Economics from Fudan University. From September 1998 to February 2014, Mr. Wu served as the deputy general manager of Haitong Securities Co. Ltd. (the shares of which listed on the Shanghai Stock Exchange (Stock Code: 600837.SH) and the Stock Exchange (Stock Code: 6837), the chairman of Haitong UniTrust International Leasing Corporation, the chairman of Haitong Asset Management Corporation and the director of Haitong International Finance Holdings Limited. He also successively served as the vice president of Shanghai Media Group (SMG), the vice chairman of Shanghai Oriental Pearl Group Co., Ltd., the chairman of Shanghai Media Development Corporation, the chairman of Shanghai EPIC Music, and a director of Shanghai Shendi (Group) Co., Ltd. (Shanghai Disney Holdings Limited). Mr. Wu was named as the Shanghai Financial Industry Leader, and was the former vice chairman of compliance committee of Securities Association of China, a member of asset management committee of Securities Association of China and an expert consultant of China Securities Investor Protection Fund.

Mr. Wang Lihua ("Mr. Wang"), aged 61, was appointed as an independent non-executive Director on 7 June 2017. Mr. Wang is also a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee. Mr. Wang is the current managing partner of Tian Yuan Law Firm. Mr. Wang holds a master's degree in Economic Law from Peking University. He previously served as the president of the 1st Beijing Xicheng Lawyers Association, a standing member of the All China Lawyers Association, a member of the Experts Panel of the Beijing Municipal Government, an expert of the International Chamber of Commerce China, a member of the Review Committee for Mergers and Acquisitions and Restructurings of Listed Companies of China Securities Regulatory Commission ("**CSRC**") for the 3rd session (original) and the 1st, 2nd and 3rd sessions (current), and the independent director of Shandong Xingmin Wheel Co., Ltd., China Minsheng Bank, Xinjiang Chalkis Co., Ltd., Hainan Mining Co., Ltd.（海南礦業股份有限公司）and Shandong Buchang Pharmaceuticals Co., Ltd.（山東步長製藥股份有限公司）. Mr. Wang was previously an assistant to the director of law department of Peking University, the vice president of the 7th Council of Beijing Lawyers Association, and a member of the Public Offering Review Committee of CSRC for the 7th and 8th sessions. He serves as the independent director of Tianyang Hongye Technology Co., Ltd.（天陽宏業科技股份有限公司）(the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300872.SZ)) and Lepu Medical Technology (Beijing) Co., Ltd.（樂普（北京）醫療器械股份有限公司）(the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300003.SZ)).

SENIOR MANAGEMENT

Mr. Chen Yi ("Mr. Chen"), aged 42, is the deputy general manager of the Group. Mr. Chen joined the Group in May 2017. He is also a director of both CMBC CF and CMBC International Investment (HK). Mr. Chen is mainly responsible for domestic and foreign equity investment business, communication with financial institutions and market development of the Group's business. Mr. Chen has 18-year experience in financial industry. Since April 2006, Mr. Chen has worked in China Minsheng Bank and served as deputy head and head of secretary department of general office and head of investor relationship management department. Mr. Chen graduated from the University of Wales Swansea with Master of Science in Mathematics and Computing for Finance.

Mr. Li Jianyang ("Mr. Li Jianyang"), aged 48, is the head of securities department of the Group. Mr. Li Jianyang joined the Group in July 2017. He is also a director of each of CMBCCF, CMBC Securities, CMBC International Investment and CMBC International Investment (HK). Mr. Li Jianyang is mainly responsible for the Group's securities business. Mr. Li Jianyang has 14-year experience in Hong Kong's capital market. Prior to joining the Group, Mr. Li Jianyang worked in a subsidiary of the investment bank of ICBC group in Hong Kong and the headquarter of ICBC. Mr. Li Jianyang graduated from University of International Business and Economics (UIBE) with Master of Finance.

Report of the Directors

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

EVENTS AFTER THE REPORTING YEAR

Save as disclosed in this annual report, there were no significant events after the Reporting Year and up to the date of this annual report.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of loan financing services for its subsidiaries. Details of principal activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

During the Reporting Year and up to the date of this annual report, the Group expanded its businesses and operations by utilising its licenses issued under the SFO (types 1, 2, 4, 6 and 9 licences).

RESULTS AND DIVIDENDS

The Group's loss for the Reporting Year and the state of affairs of the Group are set out in the consolidated financial statements on pages 101 to 213 of this annual report.

The Board does not recommend any payment of final dividend for the Reporting Year (Previous Year: nil).

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including the earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of the Shareholders (in the case of final dividend).

BUSINESS REVIEW

The business review of the Group for the Reporting Year, including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business, is set out in the section headed "Management Discussion and Analysis" on pages 9 to 27 of this annual report, the discussion of which forms part of the Report of the Directors.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 214 of this annual report. The summary does not form part of the audited consolidated financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Year are set out in note 35 to the consolidated financial statements.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme (the "**Share Award Scheme**") on 19 February 2016 (the "**Adoption Date**"). For further details of the Share Award Scheme, please refer to the Company's announcement dated 19 February 2016 (the "**Adoption Announcement**").

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. The purposes of the Share Award Scheme are to recognise the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of and contribution to the Group.

The Board may select any eligible person (other than excluded person) for participation in the Share Award Scheme and determine the number of the awarded shares to be awarded to the selected persons. The Board is entitled to impose any conditions (including a period of continued service within the Group after the reference date), as it deems appropriate with respect to the entitlement of the selected person to the awarded shares.

The eligible person of the Share Award Scheme comprises of (i) eligible person (whether full time or part time), executives, officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group; (ii) any holder of any securities issued by any member of the Group or any controlling shareholder; (iii) any business or joint venture partner, contractor, agent or representative, any person provides research, development or technological support or any advisory, consultancy, professional services to the business of the Group, any investor, vendor, supplier, developer or licensor, any customer, licensee, wholesaler, retailer, trader or distributor of goods or services of any member of the Group; which have contributed or will contribute to the growth and development of the Group.

SHARE AWARD SCHEME (CONTINUED)

As soon as practicable after granting the awarded shares, the Board shall cause the awarded amount, related purchase expenses and such other necessary expenses required for the completion of the purchase of all the awarded shares to be paid from the Company's resources into the securities account for the purpose of operating the Share Award Scheme ("**Account**") or to the trustee corporation as may be appointed by the Company for the administration of the Share Award Scheme ("**Trustee**") to be held on trust for the relevant selected person(s) for the purchase of the awarded shares. The administration committee established by the Board or the Trustee shall, within 20 business days on which trading of the Shares is not suspended (or such longer period as the Board may agree from time to time have regard to the circumstances of the purchase concerned), purchase the awarded shares at the prevailing market price.

Any awarded shares and the related income thereof held in the Account or by the Trustee and which are referable to a Selected Person shall vest in that selected person in accordance with the timetable and conditions as imposed by the Board at its absolute discretion.

The Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date. The maximum number of Shares which may be awarded to a selected person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date. As Shareholders approved the refreshment of the aforesaid scheme limit at the Company's annual general meeting held on 8 September 2017, the maximum number of awarded shares under the Share Award Scheme would be 4,577,875,772 Shares (after consolidation of the Company's Shares on 29 December 2021, 114,446,894 Shares), representing approximately 10.33% of the total number of issued Shares of the Company as at the date of this annual report. The aforesaid limit may be further refreshed or amended by approval of the Shareholders in general meeting.

Where any awarded shares is proposed to be offered to a connected person of the Company (as defined under Chapter 14A of the Listing Rules), such offer of awarded shares has to be first approved by the independent non-executive Directors of the Company and the Company will comply with the applicable requirements of Chapter 14A of the Listing Rules and all other applicable laws and regulations in respect of such offer.

SHARE AWARD SCHEME (CONTINUED)

As disclosed in the Adoption Announcement, the Share Award Scheme was not subject to the provisions of Chapter 17 of the Listing Rules. However, the Stock Exchange made amendments to Chapter 17 of the Listing Rules in July 2022, which took effect on 1 January 2023. The amended scope of application of Chapter 17 of the Listing Rules covers the Share Award Scheme. Therefore, the operation of the Share Award Scheme is subject to the provisions of the revised Chapter 17 of the Listing Rules from 1 January 2023. In addition, according to the transitional arrangements provided by the Stock Exchange, the Company can only grant shares to eligible participants as defined in revised Chapter 17 of the Listing Rules under the Share Award Scheme.

Since the Adoption Date, the Company has not granted any share awards under the Share Award Scheme. Accordingly, at the beginning and end of the Reporting Year, the total number of share awards available for grant under the Share Award Scheme was 114,446,894 Shares.

As the Company has yet to set and seek approval by the Shareholders sublimit on the total number of Shares that may be issued in respect of all awards to be granted to service providers (as defined in Rule 17.03A(1) of the Listing Rules) under the Share Award Scheme pursuant to Rule 17.03B(2) of the Listing Rules, no share awards can be granted to service providers under the Share Award Scheme as at the beginning and the end of the Reporting Year.

EQUITY-LINKED AGREEMENTS

Except for the Share Award Scheme of the Company disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Year or subsisted at the end of the Reporting Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda where the Company is incorporated.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Board recognised that the repurchase of Shares could increase the net asset value per Share, so during the Reporting Year, the Company repurchased a total of 12,961,000 Shares on the Stock Exchange, with a total consideration (before transaction costs) of approximately HK$9.25 million. As at the date of this annual report, all repurchased Shares have been cancelled.

Details of repurchase are as follows:

Month of repurchase	Total shares repurchased	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Total consideration paid (HK$'000)
January	837,000	1.700	1.590	1,392
February	170,000	1.650	1.630	278
March	–	–	–	–
April	548,000	1.400	1.260	743
May	187,000	1.420	1.350	260
June	192,000	1.390	1.240	257
July	1,564,000	1.400	1.050	1,802
August	150,000	0.780	0.780	117
September	1,277,000	0.840	0.680	985
October	4,222,000	0.730	0.455	2,277
November	419,000	0.360	0.310	140
December	3,395,000	0.335	0.270	994
Total:	12,961,000			9,245

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Year are set out in note 44 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 106 and 107, respectively.

DISTRIBUTABLE RESERVES

As of 31 December 2023, the Company's distributable reserves to the Shareholders included a contributed surplus of approximately HK$1,823.7 million (2022: HK$1,823.7 million). Pursuant to the provisions of the Companies Act 1981 of Bermuda, contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the total revenue attributable to the Group's five largest customers represented approximately 31.2% of the Group's total revenue (Previous Year: approximately 20.8%) and the revenue attributable to the largest customer included therein amounted to approximately 17.6% (Previous Year: approximately 12.6%).

None of the Directors or any of their close associates or any Shareholders (who, to the knowledge of the Board, owns more than 5% of the Company's issued Shares) has any beneficial interest in the Group's five largest customers. As the Group is engaged in the provision of financial services, in the opinion of the Directors, disclosure of information on the Group's suppliers is of no value.

MAJOR RISKS AND UNCERTAINTIES

The business operations of the Group are dependent on various internal or external risk factors, including the economic and market environment in the world, Mainland China and Hong Kong. The principal risks and uncertainties faced by the Group include but not limited to:

(i) credit risk that may arise from default of the Group's business counterparties, including borrowers, trading counterparties and bonds/note issuers;

(ii) market risk that may arise in the value of unlisted and listed securities invested by the Group, including when there is fluctuation of the equity and bond price;

(iii) operation risk that may arise from oversight of internal process management or misconduct of personnel;

(iv) legal and compliance risk that may arise when the Group fails to comply with changes in laws, regulations and rules of regulatory authorities that are applicable to it and its business on a timely manner due to the Group's business development; and

(v) liquidity risk that may arise when the funding requirements are not effectively assessed and predicted and when the Group fails to pay the debts in time as they fall due, fulfil the payment obligations and meet the funding requirements.

ENVIRONMENTAL POLICIES

The Board and the management of the Company are committed to enhancing environment protection by encouraging its employees to reduce consumption of electricity and paper, reduce waste, and use environmentally friendly products whenever possible. Details of the relevant policies are set out in the Environmental, Social and Governance Report on pages 69 to 92 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's legal and compliance department have established and implemented compliance policies for the Group. The Group has taken various measures, such as improving internal systems, regular training and regular internal inspection, to ensure that each potential business transaction engaged by the relevant business teams is in compliance with the applicable laws, regulations and rules, including but not limited to the SFO, the Listing Rules, Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the relevant laws.

Report of the Directors

RELATIONSHIP WITH EMPLOYEES

The Group recognises the unique position and value of its employees. In addition to offering a market competitive remuneration package, the Group also provides an advantageous working environment and organises leisure activities to build up a strong connection with its employees. Details of the employee policies are set out in the Environmental, Social and Governance Report on pages 69 to 92 of this annual report.

RELATIONSHIP WITH CUSTOMERS

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

DIRECTORS

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

Executive Directors[1][2][3]

Mr. Li Baochen *(Chairman)* [1]
Mr. Li Ming *(General Manager)* [2]
Mr. Ding Zhisuo[3]
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Yang Kunpeng
Mr. Li Wenshi

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis
Mr. Wu Bin
Mr. Wang Lihua

Notes:

(1) Mr. Li Baochen was appointed as an executive Director, Chairman of the Board, chairman of the Executive Committee, chairman of the Strategic Development Committee and a member of the Risk Management and Internal Control Committee, with effect from 6 January 2023.

(2) Mr. Li Ming was appointed as an executive Director, the general manager and a member of the Executive Committee, Risk Management and Internal Control Committee and Strategic Development Committee, with effect from 6 January 2023.

(3) Mr. Ding Zhisuo resigned as an executive Director, the general manager and a member of the Executive Committee, Risk Management and Internal Control Committee and Strategic Development Committee, with effect from 6 January 2023.

DIRECTORS' SERVICE CONTRACTS

None of the Directors (including the Directors being proposed for re-election at the forthcoming annual general meeting) has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions that took place during the Reporting Year which do not fall under the Rule 14A.76(1) of the Listing Rules are summarised as follows:

For details, please refer to the Company's announcements in relation to the continuing connected transactions dated 16 December 2021 and 9 December 2022, the circular dated 22 December 2021, and the announcement in relation to the poll results of the special general meeting dated 12 January 2022.

(I) Deposit Services

On 16 December 2021, the Company (for itself and on behalf of other members of the Group) entered into a service agreement with China Minsheng Bank (for itself and on behalf of other members of China Minsheng Bank Group) (the "**2021 Services Agreement**"), pursuant to which, among other things, China Minsheng Bank Group agreed to provide the Group with (among other things) the deposit services according to the terms and conditions as set out in the 2021 Services Agreement. The 2021 Services Agreement shall take effect from 1 January 2022 to 31 December 2024 and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules.

Pursuant to the 2021 Services Agreement, the annual caps for the daily balance of the Group's deposits with China Minsheng Bank Group for the three years ending 31 December 2024 are as follows:

	For the year ended/ending 31 December		
	2022 (HK$ million)	2023 (HK$ million)	2024 (HK$ million)
Daily deposit balance	1,000	1,000	1,000

China Minsheng Bank is an indirect controlling Shareholder and a connected person of the Company. Accordingly, the deposit services contemplated under the 2021 Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(I) Deposit Services (Continued)

Since the applicable percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps under the 2021 Services Agreement exceed 5%, the deposit services to be provided under the 2021 Services Agreement are subject to the reporting, announcement, circular, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 16 December 2021, the circular dated 22 December 2021 and the announcement in relation to the poll results of the special general meeting dated 12 January 2022.

(II) China Minsheng AM Services, China Minsheng Distribution Services, China Minsheng Referral Services and China Minsheng Underwriting Services

Pursuant to the 2021 Services Agreement:

- China Minsheng Bank Group agreed to provide the underwriting referral services ("**China Minsheng Underwriting Referral Services**") to the Group;

- the Group agreed to provide subscription referral services ("**China Minsheng Subscription Referral Services**", which together with China Minsheng Underwriting Referral Services are referred to as "**China Minsheng Referral Services**"), to China Minsheng Bank Group;

- the Group agreed to provide the asset management services, investment advisory services and ancillary services ("**China Minsheng AM Services**") to China Minsheng Bank Group, its associates or any third parties who are deemed to be connected with the Company under the Listing Rules;

- China Minsheng Bank Group agreed to provide the distribution services ("**China Minsheng Distribution Services**") to the Group;

- the Group agreed to provide the underwriting services ("**China Minsheng Underwriting Services**") to China Minsheng Bank Group.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(II) China Minsheng AM Services, China Minsheng Distribution Services, China Minsheng Referral Services and China Minsheng Underwriting Services (Continued)

Pursuant to the 2021 Services Agreement, the annual caps for the China Minsheng Referral Services, China Minsheng AM Services, China Minsheng Distribution Services and China Minsheng Underwriting Services for the three years ending 31 December 2024 are as follows:

	For the year ended/ending 31 December		
	2022 (HK$ million)	2023 (HK$ million)	2024 (HK$ million)
China Minsheng Referral Services			
China Minsheng Underwriting Referral Services*	12	12	12
China Minsheng Subscription Referral Services	12	12	12
China Minsheng AM Services			
– Distribution fees*	62	68.2	75.02
– Management fees and advisory fees	148.8	178.56	214.27
– Performance fees	74.4	89.28	107.14
China Minsheng Underwriting Services	11	11	11

* Fees to be payable by the Group to China Minsheng Bank Group

China Minsheng Bank is an indirect controlling Shareholder and a connected person of the Company. Accordingly, each of the China Minsheng Referral Services, China Minsheng AM Services, China Minsheng Distribution Services, and China Minsheng Underwriting Services contemplated under the 2021 Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(II) China Minsheng AM Services, China Minsheng Distribution Services, China Minsheng Referral Services and China Minsheng Underwriting Services (Continued)

Since the applicable percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps under the 2021 Services Agreement exceed 5%, the China Minsheng Referral Services, China Minsheng AM Services, China Minsheng Distribution Services, and China Minsheng Underwriting Services to be provided under the 2021 Services Agreement are subject to the reporting, announcement, circular, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 16 December 2021, the circular dated 22 December 2021 and the announcement in relation to the poll results of the special general meeting dated 12 January 2022.

(III) Office Sharing

On 9 December 2022, the Company entered into an agreement to renew the office sharing agreement with CMBCI which expired on 31 December 2022 (the "**Office Sharing Agreement**"). Pursuant to the Office Sharing Agreement, the Company agreed to grant CMBCI a non-exclusive right to use the Company's certain office space ("**Office Sharing**"), with the consideration being the sharing fee payable by CMBCI to the Company of HK$740,000 per month (the "**Sharing Fees**").

The Office Sharing Agreement is for a term commencing from 1 January 2023 and ending on 31 December 2025.

The annual caps under the Office Sharing Agreement for the three years ending on 31 December 2025 are as follows:

	For the year ended/ending 31 December		
	2023 (HK$ million)	2024 (HK$ million)	2025 (HK$ million)
Sharing Fees	8.88	8.88	8.88

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(III) Office Sharing (Continued)

CMBCI is an indirect controlling Shareholder of the Company. Therefore, CMBCI is a connected person of the Company. Accordingly, the transactions under the Office Sharing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps under the Office Sharing Agreement exceed 0.1% but less than 5%, the transactions under the Office Sharing Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and the independent Shareholders' approval requirements.

For details, please refer the Company's announcement dated 9 December 2022.

(IV) Custodian Services

Pursuant to the 2021 Services Agreement, China Minsheng Bank Group agreed to provide the Group with (among other things) the custodian services.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(IV) Custodian Services (Continued)

Pursuant to the 2021 Services Agreement, the annual caps for the fees payable to China Minsheng Bank Group by the Group in relation to the custodian services for the three years ending 31 December 2024 are as follows:

	For the year ended/ending 31 December		
	2022 (HK$ million)	2023 (HK$ million)	2024 (HK$ million)
Custodian service fees	9.42	11.30	13.56

China Minsheng Bank is an indirect controlling Shareholder and a connected person of the Company. Accordingly, the custodian services contemplated under the 2021 Services Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps of the custodian services under the 2021 Services Agreement exceed 0.1% but below 5%, the custodian services to be provided under the 2021 Services Agreement are only subject to the reporting, announcement and annual review requirements, and are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 16 December 2021, the circular dated 22 December 2021 and the announcement in relation to the poll results of the special general meeting dated 12 January 2022.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Annual Actual Amount

Set out below are the actual amount received or receivable/paid or payable for the Reporting Year in relation to the continuing connected transactions contemplated under the 2021 Services Agreement and Office Sharing Agreement:

Continuing Connected Transactions	Payer	Payee	Annual Caps for the year ended 31 December 2023 (HK$ million)	Actual Amount for the year ended 31 December 2023 (HK$ million)
Deposit Services (Daily Deposit Balance)	The Group	China Minsheng Bank Group	1,000	not exceeding the annual cap
China Minsheng Referral Services				
– China Minsheng Underwriting Referral Services	The Group	China Minsheng Bank Group	12	–
– China Minsheng Subscription Referral Services#	China Minsheng Bank Group	The Group	12	–
China Minsheng AM Services				
– Distribution fees	The Group	China Minsheng Bank Group	68.2	–
– Management fees and advisory fees	China Minsheng Bank Group	The Group	178.56	116.45
– Performance fees	China Minsheng Bank Group	The Group	89.28	2.27
China Minsheng Underwriting Services	China Minsheng Bank Group	The Group	11	–
Office Sharing	CMBCI	The Company	8.88	8.88
Custodian Services	The Group	China Minsheng Bank Group	11.30	–

During the Reporting Year, the Group received no fees from China Minsheng Bank Group, but received a total commission fee of approximately HK$9.7 million, upon successful subscription of securities by China Minsheng Bank Group as referred by the Group, from the independent third party issuer clients.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Annual Review

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

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

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company engaged the auditors of the Company to report on the above mentioned continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000 (Revised)**") and with reference to Practice Note 740 (Revised) "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" ("**PN740 (Revised)**") issued by the Hong Kong Institute of Certified Public Accountants.

The auditors have reported to the Directors in accordance with HKSAE 3000 (Revised) and with reference to PN740 (Revised) that the transactions:

(i) have been approved by the Board;

(ii) are, in all material respects, in accordance with the pricing policies of the Group for the transactions involving the provision of goods or services by the Group;

(iii) have been entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) have not exceeded the relevant annual caps approved by the independent Shareholders at the special general meeting of the Company.

The auditors have issued an unqualified letter in relation to the continuing connected transactions according to Rule 14A.56 of the Listing Rules, which contains its findings and conclusion. The auditors have also reported their findings and conclusion to the Board.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Annual Review (Continued)

The related party transactions as set out in note 41(a) to the consolidated financial statements constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the requirements under Chapter 14A during the Reporting Year.

Save as disclosed herein, there was no contract of significance between the Company or any of its subsidiaries and the Company's controlling Shareholder or any of its subsidiaries and there was no contract of significance in relation to the provision by the controlling Shareholder or any of its subsidiaries to Company or any of its subsidiaries during the Reporting Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance, to which the Company or its subsidiaries, was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, which subsisted during or at the end of the Reporting Year.

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly with the business of the Group.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits include provident fund scheme, medical insurance, share award scheme as well as discretionary bonuses.

The Directors' remuneration is determined after considering their respective responsibilities and contributions to the Company with reference to market terms and considering any amount of remuneration received by the Directors from the controlling Shareholders of the Company.

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 subsisted during the Reporting Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2023, none of the Directors nor the chief executive of the Company or their respective associates had any interest or short position in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be and were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the two sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Award Scheme", at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the Reporting Year.

PERMITTED INDEMNITY PROVISION

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 31 December 2023, according to the extraction from the website of the Stock Exchange and to the knowledge of the Directors, the following companies had an interest in the Shares which was recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company#	Long position/ Short position
China Minsheng Bank	Interest of controlled corporation	760,588,477 (Note)	67.95%	Long position
CMBCI	Interest of controlled corporation	758,166,477 (Note)	67.73%	Long position
	Beneficial owner	2,422,000 (Note)	0.22%	Long position
		760,588,477	67.95%	
CMBC International Investment (HK)	Interest of controlled corporation	758,166,477 (Note)	67.73%	Long position
CMBC International Investment	Beneficial owner	758,166,477 (Note)	67.73%	Long position

Note: CMBC International Investment was beneficially and wholly-owned by CMBC International Investment (HK), which was in turn beneficially and wholly-owned by CMBCI. CMBCI was beneficially and wholly owned by China Minsheng Bank. As such, each of CMBC International Investment (HK), CMBCI and China Minsheng Bank was deemed to be interested in the Shares held by CMBC International Investment and China Minsheng Bank was deemed to be interested in the Shares held by CMBCI.

As at 31 December 2023, the total number of issued Shares of the Company is 1,119,361,693 Shares.

Save as disclosed above, as of 31 December 2023, according to the extraction from the website of the Stock Exchange and to the knowledge of the Directors, no companies or person had an interest or short position in the Shares and underlying Shares which was recorded in the register required to be kept by the Company under section 336 of the SFO.

Report of the Directors

SIGNIFICANT CONTRACTS

Save as disclosed herein, during the Reporting Year, there is no significant contracts between the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries.

CONFIRMATION OF INDEPENDENCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the Reporting Year have been reviewed by the Audit Committee before they were duly approved by the Board under the recommendation of the Audit Committee.

INDEPENDENT AUDITOR

The consolidated financial statements for the Reporting Year have been audited by PricewaterhouseCoopers.

On behalf of the Board

Li Baochen
Chairman

27 March 2024, Hong Kong

Corporate Governance Report

The Group has made continued efforts to incorporate the key elements of good corporate governance into its management structure and internal procedures. The Board is committed to maintaining a high level of corporate governance practices in accordance with applicable regulations.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the CG Code as set out in Appendix C1 to the Listing Rules throughout the Reporting Year, except for the following deviation with reason as explained:

APPOINTMENT OF CHAIRMAN AND GENERAL MANAGER

Code Provision C.2.1

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and shall not be performed by the same individual.

Deviation

Mr. Li Jinze, the former chairman of the Company, resigned on 13 June 2022. Due to the resignation of Mr. Li Jinze, Mr. Ding Zhisuo, the then executive Director and general manager of the Company, had been acting as a substitute in performing the duties of the chairman as approved by the Board until a new chairman is appointed by the Company. On 6 January 2023, the Company has appointed Mr. Li Baochen as the chairman and Mr. Li Ming as the general manager so as to ensure compliance with aforesaid code provision of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by its Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have fully complied with the required standards as set out in the Model Code throughout the Reporting Year.

CONFIRMATION BY THE DIRECTORS PURSUANT TO RULE 3.09D OF THE LISTING RULES

Rule 3.09D of the Listing Rules, which became effective from 31 December 2023, stipulates that every director of a listed issuer must obtain legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Mr. Li Baochen and Mr. Li Ming were appointed as Directors on 6 January 2023, which is before the effective date of Listing Rule 3.09D. Mr. Li Baochen and Mr. Li Ming have submitted relevant declarations and undertakings to the Stock Exchange under the then Listing Rules requirements.

Corporate Governance Report

THE BOARD

The Board of Directors is currently composed of eight Directors, comprising three executive Directors, two non-executive Directors, and three independent non-executive Directors, whose names and positions are listed on page 4 of this annual report.

During the Reporting Year, the Directors had devoted sufficient time and attention to the Company's affairs. An up-to-date list of the Directors identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange. Independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

For biographical details of all current Directors and senior management of the Group, please see "Directors and Senior Management" in this annual report. To the best knowledge of the Directors, save as disclosed in the biographies of the Directors, there are no financial, business, family, or other material or relevant relationships amongst members of the Board during the Reporting Year.

The term of the non-executive Directors is three years until 29 June 2024. The independent non-executive Directors are not appointed for specific terms. All Directors are subject to retirement by rotation and re-election by Shareholders at an annual general meeting of the Company in accordance with the Bye-laws.

Functions of the Board and Delegation of Powers

The principal function of the Board is to, among others, consider and approve the Group's overall business plans and strategies, develop and implement the corporate governance function, and supervise the implementation of these policies and strategies and the overall management of the Group. The Board has delegated the day-to-day operation of the Group to the executive Directors and the management team. Matters such as approval of financial statements, declaration of dividend, capital restructure and issuance of securities, merger and acquisitions, major investments, connected transactions, appointment and removal of Directors and auditors, remuneration policies, etc. are specifically reserved to the Board.

Board and General Meetings

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws. Full minutes of the Board and the Board committee meetings (including materials tabled at such meetings) were recorded by the duly appointed secretary of the meeting in sufficient details of the matters considered by the Board and the decisions made, which are kept by such duly appointed secretary of the meeting.

THE BOARD (CONTINUED)

Board and General Meetings (Continued)

Pursuant to the Code Provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Year, the Board held four meetings. The attendance record of each Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, Risk Management and Internal Control Committee, the Executive Committee and Strategic Development Committee and the general meeting of the Company held during the Reporting Year is as follows, with the figures in the denominators indicating the total number of meetings held in the period in which the individual was a Director/Committee member:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management and Internal Control Committee	Strategic Development Committee	Executive Committee	Annual General Meeting
Executive Directors								
Mr. Li Baochen *(Chairman)*[(1)]	4/4	N/A	N/A	N/A	2/2	1/1	1/1	1/1
Mr. Li Ming *(General Manager)*[(2)]	4/4	N/A	N/A	N/A	2/2	1/1	1/1	1/1
Mr. Ding Zhisuo[(3)]	0/0	N/A	N/A	N/A	0/0	0/0	0/0	0/0
Mr. Ng Hoi Kam	4/4	N/A	N/A	N/A	N/A	1/1	1/1	1/1
Non-executive Directors								
Mr. Yang Kunpeng	3/4	N/A	N/A	N/A	2/2	N/A	N/A	1/1
Mr. Li Wenshi	4/4	N/A	1/1	2/2	N/A	1/1	N/A	1/1
Independent Non-executive Directors								
Mr. Lee, Cheuk Yin Dannis	4/4	5/5	N/A	N/A	2/2	N/A	N/A	1/1
Mr. Wu Bin	4/4	5/5	1/1	2/2	N/A	1/1	N/A	0/1
Mr. Wang Lihua	4/4	5/5	1/1	2/2	N/A	N/A	N/A	1/1

(1) Mr. Li Baochen was appointed as an executive Director, Chairman of the Board, chairman of the Executive Committee, chairman of the Strategic Development Committee and a member of the Risk Management and Internal Control Committee, with effect from 6 January 2023.

(2) Mr. Li Ming was appointed as an executive Director, general manager and a member of the Executive Committee, Risk Management and Internal Control Committee and Strategic Development Committee, with effect from 6 January 2023.

(3) Mr. Ding Zhisuo resigned as an executive Director, general manager and a member of the Executive Committee, Risk Management and Internal Control Committee and Strategic Development Committee, with effect from 6 January 2023.

THE BOARD (CONTINUED)

Independent Non-executive Directors

The Company has three independent non-executive Directors which complies with Rules 3.10(1) and 3.10A of the Listing Rules. Furthermore, amongst these three independent non-executive Directors, Mr. Lee, Cheuk Yin Dannis has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors a written confirmation of his independence. The Company, based on such confirmations, considers each of Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin, and Mr. Wang Lihua continues to be independent.

Chairman and General Manager

The chairman of the Board is responsible for overseeing all Board functions, while the executive Directors and the Company's senior management are under the leadership of the general manager of the Company to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

Mr. Li Jinze resigned as the chairman of the Board on 13 June 2022. Since then, Mr. Ding Zhisuo, the general manager of the Company, had been acting as a substitute in performing the duties of the chairman until a new chairman is appointed by the Company. On 6 January 2023, Mr. Ding Zhisuo resigned as the general manager of the Company while Mr. Li Baochen and Mr. Li Ming were appointed as the chairman of the Board and general manager of the Company, respectively.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

Continuing Professional Development

The Company will provide a comprehensive, formal, and tailored induction and briefing to each newly appointed Director on his or her first appointment in order to enable him or her to have appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules, other relevant legal and regulatory requirements and the Company's internal governance policies. Moreover, all Directors are provided with periodic up-to-date information on the Company's performance, position, and prospects to enable the Board as a whole and each Director to discharge their duties.

THE BOARD (CONTINUED)

Continuing Professional Development (Continued)

During the Reporting Year, the training received by each Director is summarised as follows:

	Training related to regulatory development and/or other relevant topics
Executive Directors	
Mr. Li Baochen *(Chairman)*	✓
Mr. Li Ming *(General Manager)*	✓
Mr. Ng Hoi Kam	✓
Non-executive Directors	
Mr. Yang Kunpeng	✓
Mr. Li Wenshi	✓
Independent Non-executive Directors	
Mr. Lee, Cheuk Yin Dannis	✓
Mr. Wu Bin	✓
Mr. Wang Lihua	✓

BOARD COMMITTEES

The Company currently has six Board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee, Risk Management and Internal Control Committee, Strategic Development Committee and Executive Committee, for overseeing particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

BOARD COMMITTEES (CONTINUED)

Audit Committee

Terms of reference of the Audit Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements, provide advice in respect of financial reporting, and review the risk management and internal control systems.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee, Cheuk Yin Dannis (the chairman of the Audit Committee), Mr. Wu Bin, and Mr. Wang Lihua.

The Audit Committee has performed the following major works during the Reporting Year:

(i) to review the annual results and report of the Group for the year ended 31 December 2022;

(ii) to review the interim results and report of the Group for the six months ended 30 June 2023;

(iii) to consider and recommend to the Board the reappointment of auditors for the year ended 31 December 2023;

(iv) to review the internal audit report of the Group;

(v) to review and approve the continuing connected transactions of the Company;

(vi) to review and recommend to the Board the amendments to the terms of reference of Audit Committee; and

(vii) to review and adopt non-assurance services pre-approval policy.

Remuneration Committee

Terms of reference of the Remuneration Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The Company adopted the model whereby the Remuneration Committee is responsible for determining, with delegated responsibility, the remuneration package of individual executive Directors and senior management according to its terms of reference. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration, ensure none of the Directors determine their own remuneration, and review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

The Remuneration Committee comprises two independent non-executive Directors, namely, Mr. Wu Bin (the chairman of the Remuneration Committee) and Mr. Wang Lihua, and one non-executive Director, namely, Mr. Li Wenshi.

The Remuneration Committee has performed the following major works during the Reporting Year:

(i) to review and determine, inter alia, the performance and policy and structure for remuneration;

(ii) to review the terms of service agreements of executive Directors;

(iii) to assess the performance of executive Directors; and

(iv) to review and recommend to the Board the amendments to the terms of reference of Remuneration Committee.

According to Code Provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) by band for the Reporting Year is set out below:

Remuneration bands (HK$)	Number of individual(s)
Up to 2,000,000	–
2,000,001 to up to 3,000,000	1
3,000,001 to up to 4,000,000	1

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses. As disclosed in the Company's announcement dated 6 January 2023, Mr. Li Baochen and Mr. Li Ming receive remuneration from CMBCI for their services to the group headed by CMBCI of which the Company is a member. Accordingly, Mr. Li Baochen and Mr. Li Ming did not receive any remuneration for acting as executive Directors. Besides, CMBCI has also borne the remuneration of Mr. Ng Hoi Kam, another executive Director, since December 2023. Mr. Ng has not received any remuneration for acting as executive Director from the Company since then. The Remuneration Committee noted the aforesaid arrangement is due to the services provided by the executive Directors to the Group are incidental to their responsibilities to the larger group of CMBCI. Although the remunerations of executive Directors are borne by CMBCI, the relevant remuneration packages are in line with the Group's remuneration policy.

BOARD COMMITTEES (CONTINUED)

Nomination Committee

Terms of reference of the Nomination Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors, and making recommendations to the Board on matters relating to the appointment of Directors.

The Board is empowered under the Bye-laws to appoint any person as a Director to fill a casual vacancy or, subject to authorisation by the Members in general meeting, as an additional member of the Board. Qualified candidates will be proposed by the Nomination Committee to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and appoints or recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

In addition, the Nomination Committee had taken into account a number of factors including the size and composition of the Board, a balance of skills and experience of the Board as well as its diversity in setting its appointment criteria.

The Nomination Committee comprises two independent non-executive Directors, namely, Mr. Wu Bin (the chairman of the Nomination Committee) and Mr. Wang Lihua, and one non-executive Director, namely Mr. Li Wenshi.

The Nomination Committee has performed, inter alia, the following works during the Reporting Year:

(i) to review the structure, size, and composition (including the skills, knowledge, and experience) of the Board as well as the policy concerning the diversity of the members of Board;

(ii) to assess the independence of the independent non-executive Directors;

(iii) to consider and recommend to the Board the re-election of the retiring Directors at the 2023 annual general meeting of the Company;

(iv) to review and recommend to the Board the appointment of executive Directors; and

(v) to review and recommend to the Board the amendments to the terms of reference of Nomination Committee.

BOARD COMMITTEES (CONTINUED)

Executive Committee

The Executive Committee consists of all executive Directors and is chaired by the chairman of the Board.

The roles and functions of the Executive Committee includes, amongst others, (1) to make investment decision delegated to the Executive Committee; (2) to monitor day-to-day operation of the Group on behalf of the Board; (3) to handle relevant matters that shall not be necessarily dealt with through regular Board meetings or too late to be dealt with through provisional Board meetings as considered by the chairman of the Board; and (4) to handle any other matters authorised by the Board to the Executive Committee.

During the Reporting Year, the Executive Committee (1) considered and approved investment projects under their delegated authority and other day-to-day operations as assigned by the Board; and (2) reviewed and recommended to the Board the amendments to the terms of reference of Executive Committee.

Risk Management and Internal Control Committee

The Risk Management and Internal Control Committee consisted of Mr. Yang Kunpeng, a non-executive Director, Mr. Ding Zhisuo, an executive Director, and Mr. Lee, Cheuk Yin Dannis, an independent non-executive Director, and is chaired by Mr. Yang Kunpeng. On 6 January 2023, Mr. Ding Zhisuo resigned and Mr. Li Baochen and Mr. Li Ming were appointed as executive Directors and members of the Risk Management and Internal Control Committee.

The roles and functions of the Risk Management and Internal Control Committee includes, amongst others, (1) to consider and make the Group's risk management and internal control strategies; (2) to make, review, and approve the Group's risk management and internal control policies and guidance; (3) to assess and decide the risk appetite and tolerance of the Group and the relevant resource allocation; (4) to review and monitor the Group's risk management and internal control system, and evaluate its sufficiency; and (5) to handle any other matters authorised by the Board.

During the Reporting Year, the Risk Management and Internal Control Committee has (1) fulfilled the above duties and confirmed that the Company's risk management and internal control systems and settings were adequate and effective; and (2) reviewed and recommended to the Board the amendments to the terms of reference of Risk Management and Internal Control Committee.

BOARD COMMITTEES (CONTINUED)

Strategic Development Committee

The Strategic Development Committee consisted of Mr. Ding Zhisuo, Mr. Ng Hoi Kam, Mr. Wu Bin and Mr. Li Wenshi and is chaired by the chairman of the Board. On 6 January 2023, Mr. Ding Zhisuo resigned as an executive Director and a member of the Strategic Development Committee while Mr. Li Baochen was appointed as an executive Director, the chairman of the Board and the chairman of the Strategic Development Committee and Mr. Li Ming was appointed as an executive Director and a member of the Strategic Development Committee.

The roles and functions of the Strategic Development Committee includes, amongst others, (1) to conduct research on and advise the mid-to-long term development strategy of the Company; (2) to conduct research on and advise the material investment plans; and (3) to handle any other matters authorised by the Board.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Policy**") which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to educational background, ethnicity, professional experience, skills, knowledge, and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

The Company will appoint at least one Director of different gender on or before 31 December 2024. As at the date of this annual report, all Directors of the Company are male. The Company will select director candidates through different channels, including but not limited to internal promotion and recommendation from the Board, senior management and external recruiting agencies. Further, the Nomination Committee will review the implementation and effectiveness of the Policy on an annual basis in accordance with the Code Provision B.1.3 of the CG Code.

As at the end of the Reporting Year, approximately 40% and 60% of the Group's employees were female and male, respectively. The Company will continue to monitor the gender diversity across the workforce, and consider any necessary action for further diversifying the workforce, if and when appropriate.

The Board will consider setting measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial year to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the consolidated financial statements for the Reporting Year, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair, and reasonable, and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. A statement by the auditors about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and 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.

External Auditor

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers.

For the Reporting Year, the total fee charged by PricewaterhouseCoopers for audit services was approximately HK$3,364,000 and non-audit services was approximately HK$799,000 for the review of the interim financial statements and other services.

CORPORATE GOVERNANCE FUNCTIONS

The Risk Management and Internal Control Committee has performed the following corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board during the Reporting Year:

(i) to develop, review and determine the policies and practices on corporate governance of the Company and make recommendations to the Board;

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

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

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

(v) to review the Company's compliance with the CG Code and the disclosure in the corporate governance report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established mature and sounded corporate governance and has set up comprehensive risk management and internal control procedures to identify, monitor, assess, and manage the major risks that may occur in the process of business operation. The Group conducts an annual review on these risk management and internal control procedures. The Group has established a multilevel risk management and internal control structure, including: (1) the Risk Management and Internal Control Committee established by the Board, with its main duties being considering, reviewing, and approving the risk management and internal control policies and guidelines; reviewing and monitoring the system of risk management and internal control and assessing the effectiveness of its implementation; (2) decision-making committees that operate at the management level, which are responsible for performing daily management and control duties and deciding and approving matters within their authorities; (3) relevant departments which execute risk management works, including each of the business line departments, legal, compliance and risk management departments, regulating business operations at the front, the middle, and the back; and (4) the independent internal audit department of the Company is responsible to independently audit whether each of the business lines and functional departments handled the business, implemented systems and followed operation procedures pursuant to relevant standards.

The Group attaches great importance to the effectiveness of the Group's governance, operating in compliance with laws and regulations, and comprehensive risk management. To ensure the healthy and sustainable development of the business, risk management in all business segments is implemented through a clear governance structure, policy procedures, and reporting mechanism.

During the Reporting Year, with multi-dimensional fine management regarding products, processes, internal inspection and training, the Group supplemented and improved a series of systematic measures to effectively control credit risk and market risk, prevent major operational risks and legal compliance risks and satisfy the overall liquidity management requirements thereby improving the overall risk management level of the Company while providing effective solutions for identification, assessment, and treatment of risks to enhance the risk management and internal control systems.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

As for credit risk, the Group attaches great importance to the development and continual management of businesses that have exposures to credit risks and adheres to the principle of prudent assessment in conducting asset-based business. During the Reporting Year, the Group continuously improved the relevant systems and process management rules for various businesses, conducted detailed specifications in terms of customer onboarding and centralized management, standardized the duration management and asset quality classification requirements, optimized the credit risk management system and improved its capabilities of investment analytic study and management, so as to ensure a constantly optimized portfolio investment structure.

As for market risk, the Group has comprehensively standardized the management of its investment business in the public market, improved the institutional system and risk management mechanism, standardized the investment products and hedging, book classification management, and indicator monitoring, strengthened the unified management responsibility of front-, middle-, and back-office risk prevention and control to cope with the significant market fluctuations. We have continued to optimize the mechanism of the market risk control process from the pre-investment analysis and access, investment and transaction management, to post-investment tracking and monitoring, so as to enhance our ability to resist market risk.

As for legal compliance risk, the Group has formulated, continuously improved and implemented legal compliance policies, kept abreast of the development of applicable laws, regulations and rules, emphasized the concept of legal compliance management and safeguard mechanism, updated and compiled a series of systems and rules such as manuals of legal compliance policies and anti-money laundering policy, so as to ensure that the Company's operation and business development are lawful and compliant, and to regulate the Group's requirements on connected transactions and disclosure of information. We have also continued to conduct compliance monitoring, staff conduct, staff training and internal inspection to enhance the awareness of legal compliance and the implementation of operational standards throughout the Company. The Group has also engaged external legal advisers to advise the Group and its businesses on applicable laws, regulations and rules.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

As for operational risk, during the Reporting Year, we have assessed the potential operational risk of each line of business management process through the business process combing, internal control testing and review, and have continued to improve the internal processes of each business. We have emphasized the risk management awareness and operational effectiveness of our front-end, middle-end and back-end departments in all business processes, and have urged and guided all staff to comply with them. We have also strengthened our information security policy and enhanced the security of our information systems, regulated network security, and standardized the management of network security through a system that enables network security to be carried out in an efficient and orderly manner, prevents network security incidents, and safeguards the smooth operation of the Company's various businesses.

As for liquidity risk, the Group has adopted internal measures to monitor liquidity risk and foreseeable funding requirements, broaden financing channels, optimize the credit structure and enhance credit concentration, so as to ensure certain subsidiaries of the Group regulated by the SFO continue to comply with the relevant rules and regulations. We have monitored and measured various liquidity indicators, and effectively managed various aspects such as centralized capital management, financing structure and cost aggregation, stress testing and contingency planning.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of SFO and the Listing Rules. The Group has established a Guidelines on the Management of Disclosure of Inside Information to ascertain the Company's responsibilities and work processes in relation to the disclosure of inside information, prevent the risk of inside information not being disclosed in a timely manner and safeguard the interests of all Shareholders. The Group has established the inside information team, which includes at least an executive Director. The inside information team is responsible for the following matters: ensuring that appropriate systems and controls are in place to collect, review, and verify potential inside information, reviewing potential inside information and determining whether disclosure is required, advising the Board on the same, examining the contents of the information to be disclosed, deciding whether to take other actions to clarify any uncertainties, proposing to appoint consultant on such matter and from time to time reviewing the Group's compliance with the Guidelines on the Management of Disclosure of Inside Information.

The Group discloses inside information to the public according to the guidelines as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential according to the guidelines.

COMMUNICATIONS WITH SHAREHOLDERS

The Company values communication with the Shareholders. The Company adopts a two-way communication channels to provide Shareholders with information about the performance of the Company. Enquiries and suggestions from Shareholders are welcomed, and enquiries may be put to the Board through the following channels to the Company Secretary:

(i) By mail to the Company's principal place of business at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong; or

(ii) By telephone at +852 3728 8000.

The Company uses a number of formal communication channels to provide the Shareholders with information about the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting which provides a platform for the Shareholders to raise comments and exchange views with the Board; (iii) updated important information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website which serves as a communication channel between the Company and its Shareholders; and (v) the Company's branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner information of the Group on a regular basis through the publication and/or despatch of interim and annual reports, circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' comments and suggestions, and address Shareholders' concerns. Shareholders are encouraged to attend the Company's annual general meeting for which at least 21 clear days' notice shall be given.

The Board has reviewed the implementation of the shareholders' communications policy and is satisfied that given the number of available channels, it is effective for the Board to understand the views and opinion of the Shareholders.

WHISTLEBLOWING POLICY

The Company has established a whistle blowing policy (including the handling procedure) for its employees and those who deal with the Company (such as customers and suppliers) to raise concerns or to report to the Company any improprieties in any matter related to the Group, in confidence and anonymity. The policy is available on the website of the Company (http://www.cmbccap.com).

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

According to the Bye-laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "**Companies Act**").

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to the Companies Act, any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred Shareholders, can request the Company in writing to: (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

CONSTITUTIONAL DOCUMENTS

There were no changes to the Company's memorandum of association and the Bye-laws during the Reporting Year. The latest version of the memorandum of association and the Bye-laws is posted on the Company's website and the Stock Exchange's website.

COMPANY SECRETARY

Mr. Wong Tin Yu ("**Mr. Wong**") was appointed as the Company Secretary of the Company. Mr. Wong reports to Mr. Li Ming, an executive Director and the general manager of the Company, directly and is responsible for providing advice and services to the Board to ensure that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraising the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to Rule 3.29 of the Listing Rules, Mr. Wong has taken no less than 15 hours of relevant professional training for the Reporting Year.

Environmental, Social and Governance Report

ABOUT THIS REPORT

CMBC Capital Holdings Limited is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange.

The Group is principally engaged in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, as well as the money lending business and has all material licenses required for services currently expected to be requested by most of its existing and potential clients. The Group acknowledges the importance of environmental, social and governance ("**ESG**") policies. By implementing ESG strategies into its business operations, the Group can operate in a responsible and sustainable manner.

This report is to highlight the Group's approaches and strategies in pursuit of sustainable development during the Reporting Year and provides its stakeholders with an overview of the Group's efforts regarding ESG impacts arising from its daily operations. The Group primarily adopts the principles and basis of Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix C2 of the Listing Rules.

The preparation, presentation and contents of this report follow the principles of "Materiality", "Quantitativeness", "Consistency" and "Balance" set out in the ESG Guide.

Materiality: Materiality assessment was conducted and reviewed annually to assess the relative importance of the ESG topics identified.

Quantitativeness: If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions.

Consistency: ESG data presented in this report are prepared using consistent methodologies over time.

Balance: The Group appoints an external ESG consultant in the preparation of this report to present an unbiased picture of its achievements and performances.

This report is available on the websites of the Company (http://www.cmbccap.com) and the Stock Exchange (http://www.hkexnews.hk). For information on the Group's corporate governance, please refer to the Corporate Governance Report included in the annual report.

Environmental, Social and Governance Report

Board Statement

The Board has the overall responsibility for the Group's ESG strategies and performance, including formulating strategies, managing the Group's ESG related risks and opportunities and approving the ESG Report with an aim that the Group can operate its businesses in a responsible and sustainable manner.

To assist the Board to discharge the above responsibility, the Board has resolved to authorise the Executive Committee to handle all the matters that are related to ESG, including but not limited to:

- identifying ESG topics/issues/risks;
- formulating strategies and management approach, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's business);
- implementing the strategies and management approach;
- reviewing and monitoring the implementation process and the effectiveness;
- evaluating the results and adjusting the strategies accordingly;
- preparing the ESG report; and
- making recommendations to the Board in relation to the goals, strategies and management.

To carry out the above duties, the Executive Committee will be assisted by various departments of the Group including operations, legal and compliance, risk management, human resources and general management.

The Executive Committee will report at least once per year to the Board on the implementation progress, the results and any recommendations.

Environmental, Social and Governance Report

1. STAKEHOLDER ENGAGEMENT

1.1 Major Communication Channels

The Group values and appreciates the importance of the views of its stakeholders and has maintained various communication channels with them. Through these channels, the Group can actively engage with its stakeholders and collects their feedback to understand and address their concerns so as to improve the Group's operation. The communication channels include:

- Meetings;
- Corporate communications;
- Websites;
- Social media;
- Emails;
- Daily communications;
- Interview;
- Surveys; and
- Activities.

The Group has identified shareholders, employees, suppliers, customers, government and regulatory authorities and the community at large as its key stakeholders.

1.2 Materiality Assessment

The Group has adopted the principle of materiality in the ESG reporting by identifying the key ESG issues. The Company undertook its annual materiality assessment exercise. The objective of materiality assessment is to identify the ESG topics that are material and relevant to the Group's operation.

Based on the stakeholders' feedback, the material issues were identified as follows. The Group's performance regarding these issues are discussed in this report. Among these issues, considering the Group's business nature, the Group considers the issues of compliance with laws and regulations, protection of customer privacy and anti-corruption/anti-money laundering are of paramount importance.

Material Topics	
Environment	• Energy conservations • Waste management
Workplace	• Employment and labour practices • Health and safety • Development and training • Diversity and equal opportunities
Operating Practices	• Compliance with laws and regulations • Protection of customer privacy • Anti-corruption/anti-money laundering • Supplier management • Services quality
Community	• Community investment

2. ENVIRONMENTAL PROTECTION

2.1 Environmental Policies

The Group appreciates the importance of striking a balance between economic development and environmental protection.

During the Reporting Year, the Group complied with the laws and regulations in relation to the environmental protection that had a significant impact on the Group, including but not limited to:

- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);
- Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611 of the Laws of Hong Kong); and
- Building Energy Efficiency Ordinance (Cap. 610 of the Laws of Hong Kong).

The Group has made continuous efforts on leading its staff to pursue a low carbon lifestyle. It actively responds to the call for environmental protection, and promotes the idea of a low carbon environment and resource conservation, through the perspective of advancing the development of public welfare. As the Group's operations are office based, its environmental impacts from daily operations only involve vehicle emissions, office electricity and paper consumption. Although the Group's business operations do not significantly consume energy or produce air emissions, the Group strives to minimize its environmental impacts by implementing energy-saving and other environmentally friendly measures.

A. Greenhouse gas emissions and electricity consumption

The Group has set a target for the greenhouse gas emission and energy management with 2021 as the base year, which means that the greenhouse gas emission per unit area and electricity consumption per unit area of the Group in 2025 will show a downward trend as compared with the base year of 2021, and the Group will regularly disclose the progress in achieving relevant target in this annual report.

The following table highlights the estimated emissions of the Group for the year ended 31 December 2023:

	2023 tonne CO2e
Vehicle emissions (Scope 1 emissions)	**11.34**
Electricity consumption emissions (Scope 2 emissions)	**79.04**
Total volume of greenhouse gas emissions	**90.38**

The total intensity of greenhouse gas emissions for the year ended 31 December 2023 was approximately 0.006 tonne CO2e/ft^2 office area.

The following table shows the amount of electricity consumption in the head office in Hong Kong for the year ended 31 December 2023:

	2023
Electricity consumption	**116,420 Kwh**
Electricity consumption intensity	**8.047 Kwh/ft^2**

B. *Air pollutants from vehicle emission*

The following table highlights the estimated air pollutants from the vehicle emission of the Group for the year ended 31 December 2023:

	2023 **kg**
NO_x	**44.00**
SO_x	**0.07**
$PM_{2.5}$	**3.24**

C. *Water*

The Group primarily sourced water from the water supply system of the office building and has encountered no difficulty in water sourcing. There was no individual water meter due to its minimal water consumption. Thus, data of water consumption is not available. However, the Group undertakes that it will gradually improve the conservation and management of water resources, achieve regular monitoring, statistics and analysis of water consumption as soon as possible and control water consumption per unit area to a lower level.

D. *Packaging material*

The Group does not use any packaging materials. Hence, it is not applicable to the business of the Group.

E. *Green buildings*

The Group believes that green buildings play a vital role in the implementation of a sustainable development strategy. The core value of green buildings is to minimise the consumption of energy and resources and reduce negative impacts to the environment while maximising the application of new technologies and new materials conducive to better living quality.

During the Reporting Year, the Group's principal place of business was located at One Exchange Square in Hong Kong, which has been awarded a platinum BEAM[1] rating by BEAM Society Limited. The platinum grade rating, which is the highest ranking, was based on an assessment of various factors, including the management, building design, materials, waste, energy use and water use. The Group has actively cooperated with the property management company with respect to the efficient use of resources and waste management. The property management company has provided facilities for separating different types of wastes such as used plastic bottles, aluminium, and glasses.

1 Building Environmental Assessment Method ("**BEAM**") assessment and certification provides building users with a single performance label that demonstrates the overall quality of a building.

F. *Waste management*

Due to the characteristics of the Group's business, the main waste generated from its daily office and operations include non-hazardous waste, such as waste paper and cartons, and hazardous waste, such as toner cartridges and used computers. The Group arranges proper waste treatment. Used cartridges and electronic appliances are recycled through recyclers. The Group undertakes to gradually improve the identification and statistics of the sources of non-hazardous and hazardous waste, and to control the generation of non-hazardous and hazardous waste to a low level.

Paper

Paper is one of the major wastes produced in the Group's operations. The Group plays an active role in promoting paper-free operation by introducing measures to reduce the use of paper in the office with an ultimate goal to establish a paperless working environment. During the Reporting Year, the Group has implemented the following measures:

- introducing a paperless system whereby documents are to be reviewed and approved electronically. Currently, the paperless system is mainly used for the documents that need internal approval, which now covers certain processes and documents at different levels such as office administration, human resources, accounting etc; and

- utilizing laptops in office meetings to avoid printing of the meeting materials.

The printers in the office have been implemented a smart printing function whereby printing will only commence when a staff logs in to the printer and confirms printing. This smart printing function not only can enhance data protection particularly for confidential documents but can also avoid unnecessary or unclaimed printing.

With regard to used papers, the Group has engaged waste paper collection and recycling services companies to recycle the used papers. The Group encourages all the staff to do so whenever possible. Paper usage data from printers in the office are collected and assessed on a regular basis in order to monitor the effectiveness of the paperless system.

With respect to the business operation, the Group has minimised the use of papers in the securities account opening process (which usually involves a considerable amount of papers) by utilising technology. Specifically, the Group introduced an online trading system that allows its customers to open accounts electronically. Additionally, the Group offers free electronic billing to its customers with an attempt to further reduce paper consumption.

In relation to the communication with the Shareholders, the Company strongly encourages its Shareholders to access its corporate communications, including financial reports and circulars, through the websites of the Stock Exchange and the Company, instead of receiving printed copies. In doing so, the quantity of printed materials can be considerably reduced.

With the different measures introduced by the Group, it is hoped that the Group can substantially reduce the use of papers in the office and ultimately achieve a paperless office in the future. The Group will continue to monitor the use of papers in the office and will introduce further measures to reduce its use when appropriate.

The following table shows the approximate amount of paper consumption and the papers that have been consumed and recycled for the year ended 31 December 2023:

	2023
Paper consumption	**1,332.4 kg**
Paper consumption intensity	**0.09 kg/ft^2**
Paper recycled	**750 kg**
Paper recycled intensity	**0.05 kg/ft^2**

Domestic waste

The domestic waste of the Group is handled by the property management of the office building, hence, such statistics are not available. However, the Group encourages its staff to reduce the production of domestic waste such as plastics and disposable products.

The Group has initiated a number of internal environmental measures, which are listed below:

- Adjust air conditioning temperature to 25°C;
- Switch off unused appliances, lightings and office equipment;
- Place a notice of water preservation in the pantry;
- Use energy-saving appliances with Grade 1 Energy Efficiency Label;
- Utilise natural sunlight in office;
- Encourage the use of electronic mail and digital file management system;
- Reuse and recycle paper and encourage double-sided printing;
- Upgrade to LED lighting systems with automatic timers to reduce energy consumption; and
- Equip energy saving switches with lighting timers.

2.2 Impact of Climate Change

With the world's climate changing significantly in the recent years where the temperature has increased notably and extreme weather has become increasingly frequent, it has been one of the major environmental concerns in the world.

The Group is engaged in financial services business which does not involve any manufacturing or production. Climate change does not cause any direct significant impact on the Group's business, but it may still affect the Group in some ways, for example, the increase in temperature may lead to an increase in the energy consumption which would in turn increase the operating cost; severe weather such as typhoons and heavy rains may cause disruptions to the business operations which would affect the productivity, and the Group is required to formulate and implement relevant measures and make necessary arrangements to ensure the safety of the employees under the severe weather conditions.

The Group will monitor and assess the potential risks of climate change and its impacts on the Group's operations from time to time. More particularly, the Group will continue to monitor the carbon footprint, emissions and energy consumption intensity across its operations with a view to identifying opportunities for increasing efficiency and reducing emissions.

The Group will continue to reduce emissions and waste on an ongoing basis in order to minimise the Group's impacts of activities on the environment and natural resources.

3. EMPLOYMENT

3.1 Employment and Labour Practices

The Group regards employees as the most valuable assets of the Group. Employees are crucial for the continuous growth and development of the business. To attract and retain talents, the Group aims to establish a respectful and fair working environment by adopting an equal opportunities policy and maintaining a sound system of human resources management covering various aspects, such as recruitment, promotion and remuneration.

A. Recruitment and promotion

The recruitment and promotion of the Group are fair and open for all employees. The selection processes for both recruitment and promotion are not affected by age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation, sexual orientation and other factors.

B. Remuneration

The Group offers competitive remuneration to its employees which includes salary, bonuses and subsidies (such as meal allowance). Other benefits include medical insurance, provident funds and other competitive fringe benefits. Salary is determined with reference to the market rate, and the bonus is determined with reference to factors including position, individual performance and department performance. The Group conducts performance appraisals for its employees and reviews their salary on an annual basis. In addition, employees are entitled to all public holidays announced by the Hong Kong Government. They are also entitled to paid annual leave, sick leave, maternity leave, etc. To maintain a balance between work and personal life, the Group adopts a five-day work week policy.

C. Diversity

Our employees comprise of different age groups and have a diverse cultural background that brings individual traits as well as diversity to facilitate business development. The Group adheres to the principle of equality and does not tolerate any discrimination based on gender, pregnancy, race, marital status, family status or disability, and strives to provide employees with a working environment free of discrimination and harassment. If any employee is discriminated against or suffers from harassment, he/she can file a protected complaint through a designated channel.

As at 31 December 2023, the Group had a total of 72 employees.

Human resources overview as at 31 December 2023 is as follows:

Number of Employee by Gender

•	Male	43
•	Female	29

Number of Employee by Age Group

•	Over 50 years old	4
•	30-50 years old	58
•	Under 30 years old	10

Number of Employee by Geographical Regions

•	Hong Kong	68
•	Other region	4

Number of Employee by Type

•	Part-time	0
•	Full-time	72

The Group believes that employees are important assets of the Group, and is committed to retaining talent and maintaining a stable turnover rate. The turnover rates of the Group's workforce for the year ended 31 December 2023 are as below:

By Gender		By Age		By Region	
Male	37.2%	<30	23.1%	Hong Kong	27.8%
		30-50	18.3%		
Female	14.8%	>50	50%	Other region	N/A

3.2 Labour Standard

During the Reporting Year, the Group has complied with relevant rules and regulations, such as the Employment Ordinance (Cap. 57, Laws of Hong Kong) and other statutory requirements regarding employment and labour practices.

The Group endeavors to establish a fair, active and highly efficient work environment, provide all employees with equal opportunities with respect to recruitment, remuneration and promotion, and ensure the workplace is free from discrimination.

The Group has in place an employee handbook which sets out the cultural, mission and values of the Group, an overview of the Group's business along with other key procedures, guidelines, prohibited behavior and employees' basic rights and obligations. The employee handbook serves to facilitate the employees to understand their rights and obligations. The legal and compliance department of the Group will keep abreast of the legal developments of the employment law in Hong Kong and will assist the Group to issue any policies to ensure that the Group complies with the latest statutory requirements.

The Group has also established designated channels to receive complaints from the employees. All complaints received will be forwarded to the general management department for handling. The general management department will look into the complaint in a timely manner and may consult the legal and compliance department (if necessary). The general management department will report the investigation results to the senior management who will decide the appropriate actions.

The Group prohibits the employment of child labour and forced labour and has complied with the relevant labour laws and regulations, including the Employment of Children Regulations. The Group takes measures (such as background check, age and identity verification during the recruitment process) to prevent the employment of child labour and forced labour. For the use of false information or in violation of the rules of the Group by any staff, the Group will handle the matter in accordance with the applicable regulations and the measures for staff management, including but not limited to immediate termination of probation period or labour contract.

3.3 Health and Safety

The Group is committed to maintaining a safe working environment for the health and well-being of its employees. The Group has formulated policies regarding employees' working environment and protection, which stipulate the reporting procedure for industrial accidents and various measures to ensure the safety of employees, such as providing safety medical kits in case of injuries and posting the Work Safety and Health Guidelines to inform employees of the importance of workplace safety. The Group has encouraged staff to learn the relevant safety information and emergency measures which can help increase their alertness and ability to prevent possible accidents, creating a healthy and safe work environment.

For each of the past three years (including the Reporting Year), the Group has complied with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and there were no work-related casualties or loss of working days arising therefrom.

3.4 Development and Training

The Group believes that professional skills and knowledge are crucial for the employees' development as well as for the Group's long-term success. In addition, the Group expects its employees to maintain the highest professional conduct and ethical standard in the course of business operation. Therefore, the Group provides its employees with trainings.

During the Reporting Year, the Group provided a variety of in-house seminars and training programs to the employees to enhance their knowledge, skills and work capability which include, but not limited to, the Company's policies on anti-money laundering, case summary SFC enforcement on licenced corporations and licenced persons, taxation in Hong Kong, legal and compliance, the Company's culture, management and disclosure of environmental risks for fund managers, SPAC listing in Hong Kong and due diligence requirements, etc. The trainings were conducted by our staff, other financial institutions, professional firms (such as accounting firms and law firms) and regulatory authorities. During the Reporting Year, the Group has organized over 30 training sessions for its employees. Some of these seminars and training were required by the SFC, enabling licensed employees to satisfy the Continuous Professional Training requirements.

Depending on the importance of the training, for example, trainings related to laws and regulations or internal procedure, the staffs will be required to complete a test after the training to ensure that the attendees have acquired the knowledge.

For the year ended 31 December 2023, the approximate percentage of employees trained by gender and by employee category are as follows:

i. Percentage of employees trained by gender

Gender	(%)	Average training hours
Male	93.02	11.35
Female	100	7.64

ii. Percentage of employees trained by employee category

Employee category	(%)	Average training hours
Executive Directors	100	8.83
Senior management	100	15.50
Other staff	95.83	9.08

Other than the in-house training, the Group also encourages employees to pursue external educational or training opportunities.

3.5 Work-life Balance

The Group believes that maintaining a healthy work-life balance is essential for employee well-being. It was the Group's usual practice to organize social activities for its employees to strengthen the relationships between employees, to boost their morale, to promote a harmonious working environment and to help them relieve stress. In this regard, during the Reporting Year, the Group organised various activities, including banquets, hiking and sports activities.

3.6 Community Investment

The Group is passionate about participating in community engagement and is committed to contributing to the creation of a harmonious community. The Group places great importance on community investment and is committed to the mission of "From the Community, To the Community", with a focus on sharing the fruits of corporate development with society and contributing to social harmony. The Group encourages staff to participate in charity events.

During the Reporting Year, the Group placed several green deposits with a bank with deposit tenures of 1 to 3 months. The amounts of deposits ranged from HK$20,000,000 to HK$40,000,000. The deposit funds would be used to finance and/or refinance the eligible green projects of the bank, including but not limited to green buildings, renewable energy, energy efficiency, pollution prevention and control, clean transportation, sustainable water and wastewater management.

4. OPERATING PRACTICE

4.1 Compliance with Laws and Regulations

The Group recognizes the importance of business ethics. During the Reporting year, the Group has complied with the laws, regulations and regulatory requirements which have significant impact on the Group, including but not limited to:

- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615, Laws of Hong Kong);
- Companies Ordinance (Cap. 622, Laws of Hong Kong);
- Competition Ordinance (Cap. 619, Laws of Hong Kong);
- Employment Ordinance (Cap. 57, Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong);
- Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong);
- Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong); and
- Trade Descriptions Ordinance (Cap. 362, Laws of Hong Kong).

The legal and compliance department is required to review and monitor the business operations of the Group to ensure compliance with the above mentioned laws and regulations and arrange internal trainings for the employees from time to time in order to ensure the relevant employees are kept abreast of the development of the relevant laws, regulations and rules. When there is any development of the relevant laws and regulations, the legal and compliance department will inform the management who will decide on the appropriate action (e.g., formulating/updating policies, arranging training to the employees etc).

The Group holds all material licenses required for the provision of services expected or required by most of its clients, including dealing in securities and futures contracts, advising on securities, advising on corporate finance and asset management, etc.

The management of the Group ensures that the business of the Group is conducted in accordance with the relevant laws and regulations.

4.2 Anti-corruption/Anti-money Laundering

To strengthen the Group's compliance culture and combat money laundering and financial crimes effectively, the Group has established policies and procedures for anti-corruption, anti-money laundering and counter-terrorist financing which includes customer screening and monitoring requirements, "know your customer" policy, record keeping requirements, and procedures for reporting suspicious circumstances in accordance with the relevant laws, regulations and guidelines issued by the regulatory authorities (such as the Guideline on Prevention of Money Laundering).

The Group requires that every new customer, upon account opening, shall be subject to a name search in an anti-money laundering database provided by an independent third party vendor, in order to ascertain whether the new customer is on the current terrorist or applicable sanction list, and to check whether the customer is a Politically Exposed Person. New account applications lodged by terrorists or sanctioned entities would be rejected. The Group conducts regular reviews on the transactions carried out by high-risk customers to identify suspicious transactions. Any suspicious transaction, if noted, will be reported to the Joint Financial Intelligence Unit of the Hong Kong Government in due course.

In relation to anti-corruption, the Group has put in place a policy prohibiting bribery, extortion, corruption and related acts. During the Reporting Year, the Group organized internal training for all staff and conducted discussion on business conducts that may commit criminal offence as well as case studies. Specifically, the Group prohibits its employees from giving and/or receiving gifts or benefits in whenever forms. It aims to ensure every employee adheres to the highest professional conduct and ethical standard in the course of business operation and must not involve in any form of corrupt practices.

In addition, the Group has set up a whistle-blowing policy to allow whistle-blowers to report any irregularities, such as unlawful conduct, incidents of corruption and circumvention of internal controls, under protection. The whistle-blowing and disciplinary policies stipulate that any employee which has committed serious irregularities or misconduct will be subject to disciplinary actions, including immediate dismissal. During the Reporting Year, none of the members of the Group nor its employees were engaged in any litigation regarding corruption, extortion, fraud or money laundering, nor was there any report of criminal offences or misconduct.

4.3 Supplier Management

The Group is committed to maintaining mutually beneficial long term cooperation with its suppliers. Major suppliers of the Group include law firms, accounting firms, professional consulting companies, financial advisors, trading platform services companies, data centre, printing service companies etc.

The Group sets out various evaluation standards, such as pricing, stability, response time, capability, experience, feedback, size and reputation, to enable the Group to carry out selection and assessment of suppliers effectively. In addition, the Group takes into account whether the suppliers share the same value as the Group and are committed to environmental protection. When practicable, the Group gives priority to the ones who have adopted environmental protection measures.

The Group has put in place a policy for selecting services providers. Contracts will be subject to different review and approval requirements in accordance with the contract value. For contracts with a value of HK$500,000 or above need to be reviewed and approved by the Group's procurement committee. The committee comprises staffs from various departments including legal and compliance, information technology, finance, operations and general management departments. The committee convenes meetings, reviews the materials and discusses about the engagements. The practice is to ensure that the selection process is fair, open and transparent.

For the year ended 31 December 2023, the approximate number of suppliers by geographical region are as follows:

Number of suppliers by geographical region	
Hong Kong	142
Other regions	37

4.4 Product Responsibility and Customer Services

As a financial services provider, the Group utilises its profound experience, expertise, internal resources and platforms to create value for its customers and to achieve service excellence consistently, thereby earning the trust of domestic and international customers.

The Group comprises teams of professionals with diversified backgrounds including major investment banks, regulatory authorities, financial institutions, lawyers and accountants. With its expertise, experience and extensive network, the Group provides flexible, diversified and comprehensive investment banking services for the customers. As at 31 December 2023, approximately 39 employees of the Group were licensed with the SFC in various regulated activities under the SFO: dealing in securities (Type 1), dealing in futures contracts (Type 2), advising on securities (Type 4), advising on corporate finance (Type 6) and/or asset management (Type 9).

With the aim to establish a leading international financial investment service platform, the Group has carried out extensive upgrades in various aspects, including but not limited to business development, management and operation, risk control, market monitoring, product services, and trading platform.

The Group take various measures to ensure the quality of products and services, including but not limited to (i) closely monitor the changes in regulatory environment (regulatory requirements or guidelines issued from time to time by the SFC in particular) and market environment, and provide frontline staff with training and updates to ensure compliance of our products and services and that they create greater value for customers; (ii) conduct monitoring and audit in various aspects by the legal and compliance department and internal audit department, in order to ensure compliance of our products and services and advise on the optimization of business process; and (iii) formulate and implement the whistle blowing policy, allowing staff, customers and those who deal with the Group to report any misconduct in confidence while ascertaining the Group will take appropriate actions regarding relevant reports to avoid the recurrence of misconducts that may occur during the course of business.

4.5 Smooth Communication

Understanding the needs of the clients can help improve the Group's business and services, thus the Group listens carefully to its clients' feedback and tries to improve its services. The Group has set up procedures to ensure that the clients' feedback, advice and recommendations can be received and handled in a timely manner. The Group has established designated channels, including hotline, fax and e-mail for clients' complaints. All complaints received will be forwarded to supervisors for handling. The supervisors will investigate in a timely manner and report the investigation results to the senior management. The senior management will then review the complaints and decide the appropriate action (e.g. strengthening internal control and procedures).

During the Reporting Year, the Group did not receive any complaints from the customers.

4.6 Protection of Personal Data

The Group is committed to protecting the privacy and confidentiality of the personal data of its customers. In relation to the customers' personal data, the Group has complied with the relevant laws and regulations including the Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong).

The Group has put in place a policy to govern the use of confidential information by the employees. Specifically, the employees are instructed to use confidential information in a responsible manner and are prohibited from leaking clients' data or any unauthorised use. The Group has adopted a series of technical and management measures to safeguard clients' privacy. In addition, the Group reminds its clients, from time to time, to manage their account passwords with caution, avoid logging into their accounts on public computers and networks, change their passwords regularly and contact the Group's staff for consultation when necessary.

During the Reporting Year, there was no non-compliance with the relevant laws and regulations as to clients' privacy and information security in the Group.

4.7 Protection of Intellectual Property

The Group protects its intellectual property rights by registration of domain names in Hong Kong. Such domain name is renewed upon its expiration. During the Reporting Year, there was no material infringement of the intellectual property rights of the Group by any third parties.

5. ESG REPORTING CONTENT INDEX

Aspect	HKEx KPI	Description	Page Number/ Remarks
A. Environmental			
A1: Emissions	A1	General Disclosure	72-79
	A1.1	The types of emissions and respective emissions data	73-77
	A1.2	Greenhouse gas in total and intensity	73
	A1.3	Total hazardous waste produced and intensity	76
	A1.4	Total non-hazardous waste produced and intensity	76-77
	A1.5	Emissions target(s) set and steps taken to achieve them	73
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A2: Use of Resources	A2	General Disclosure	74-78
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	73
	A2.2	Water consumption in total and intensity	No data was collected due to low water consumption and no individual water meter.
	A2.3	Energy use efficiency target(s) set and steps taken to achieve them	73
	A2.4	Whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	74
	A2.5	Total packaging material used for finished products	Packaging material is not applicable to the Group's business.

Aspect	HKEx KPI	Description	Page Number/ Remarks
A3: The Environment and Natural Resources	A3	General Disclosure	72-79
	A3.1	Significant impacts of activities on the environment and natural resources and actions taken to manage them	72-79
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B. Social			
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B3: Development and Training	B3	General Disclosure	82-83
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Aspect	HKEx KPI	Description	Page Number/ Remarks
B4: Labour Standards	B4	General Disclosure	81
	B4.1	Measures to review employment practices to avoid child and forced labour	81
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B5: Supply Chain Management	B5	General Disclosure	86-87
	B5.1	Number of suppliers by geographical region	87
	B5.2	Practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	86-87
	B5.3	Practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	86-87
	B5.4	Practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	86-87
B6: Product Responsibility	B6	General Disclosure	87-88
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Due to the business nature of the Group, this KPI is considered not material
	B6.2	Number of products and services related complaints received and how they are dealt with	88
	B6.3	Practices relating to observing and protecting intellectual property rights	88
	B6.4	Quality assurance process and recall procedures	87-88
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Aspect	HKEx KPI	Description	Page Number/ Remarks
B7: Anti-corruption	B7	General Disclosure	84-86
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Year and the outcomes of the cases	86
	B7.2	Preventive measures and whistle-blowing procedures, and how they are implemented and monitored	86
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B8: Community Investment	B8	General Disclosure	84
	B8.1	Focus areas of contribution	84
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Independent Auditor's Report

To the Shareholders of CMBC Capital Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of CMBC Capital Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 101 to 213, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

OUR OPINION

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

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.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Allowance for Expected Credit Losses ("**ECL**") of Financing Assets and Debt Investments; and
- Valuation of Level 3 Financial Assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for Expected Credit Losses ("ECL") of Financing Assets and Debt Investments	
Refer to notes 20, 21, 22 and 25 to the consolidated financial statements. The balances of allowance for ECL represent the management's estimates of ECL under HKFRS 9 at the end of the reporting date. As at 31 December 2023, the Group's financial assets arising from financing businesses which included loans and advances and accounts receivable from margin clients ("**Financing Assets**"), totalled HK$95.9 million after an allowance for ECL of HK$333.0 million.	We performed the following audit procedures over the allowance for ECL: • We obtained an understanding of the management's internal control and assessment process of allowance for ECL and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity of management judgments and assumptions applied in developing the ECL estimates; • We evaluated and tested the following key controls over: – the approval and application of ECL models, including ongoing model monitoring and ECL calculation and review; – the accuracy and completeness of key data inputs adopted by the ECL models; and

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Also, the Group held debt investments measured at fair value through other comprehensive income and at amortised cost ("**Debt Investments**") totalling HK$939.3 million after an allowance for ECL of HK$641.8 million. The Group calculates the allowance for ECL of stage 1 and 2 Financing Assets and Debt Investments using ECL models that involve various risk parameters. The allowance for ECL of stage 3 Financing Assets and Debt Investments is calculated by using the discounted cash flow method. The determination of allowance for ECL using the ECL models is subject to management judgments and assumptions, primarily including: (1) Selection of the appropriate methodologies and assumptions; (2) Determination of the criteria for significant increase in credit risk ("**SICR**"), and definition of credit-impaired; (3) Exercising judgments in estimating future cash flows for Stage 3 credit-impaired financial assets; and (4) Adjustments for forward-looking economic information.	– the ongoing monitoring processes, which included: (i) the margin call procedures for margin shortfall and risk mitigating actions taken by management for accounts receivable from margin clients; and (ii) the periodic reviews for identification of any delinquency in principal or interest repayments for Financing Assets and Debt Investments. • We assessed the competency, capabilities and objectivity of the external valuation specialists engaged by management for estimating the allowance for ECL of certain credit-impaired assets classified at Stage 3 and the recoverable amounts of the underlying collaterals (if any); • With the assistance of our internal credit modelling specialists, we examined the ECL modelling methodologies, key inputs and assumptions and assessed their reasonableness of the management judgments and assumptions applied; • We assessed the reasonableness of the management judgment in determining the criteria for SICR and definition of credit-impaired. We further tested, on a sample basis, the application of such criteria to Financing Assets and Debt Investments;

Key Audit Matter	How our audit addressed the Key Audit Matter
The ongoing impact of deteriorations of certain Mainland property developers and non-state-owned enterprises together with other macroeconomic conditions, continue to add challenges to the inherently complex ECL determination, primarily due to the greater estimation uncertainty surrounding the forward-looking economic information and assessment of credit risk in the Group's Financing Assets and Debt Investments portfolios. Allowance for ECL of Financing Assets and Debt Investments was considered to be a key area of audit focus due to the size of the balances and the high degree of estimation uncertainty. The inherent risk in relation to the allowance for ECL is considered significant due to subjectivity of management judgments and assumptions involved in developing the ECL estimate.	• For forward-looking economic scenarios, we assessed the basis of determining the economic variables, number of scenarios and relative weightings, and the reasonableness of the management judgments and assumptions applied, taking into consideration of the management's view on the future macroeconomic conditions; • We tested the accuracy and completeness of key data sources applied in the ECL computation on a sample basis by checking to the Group's supporting information and external data sources, as applicable; and • For the credit-impaired financial assets classified at Stage 3, we tested the computations of the expected future cash flows and the fair value of collateral (if any) for the impaired amounts. We also examined the underlying documentation supporting the management's key estimations used in the individual ECL assessment. With the assistance of our internal valuation specialists, we corroborated and challenged management's assessment and expectation of reasonably possible outcomes on the recoverability of these impaired financial assets, and where applicable, the estimated fair value and expected future cash flows from the pledged collateral against externally available information. Based on the above, we considered that management's judgments and assumptions applied in the estimation of allowance for ECL were supportable by the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Level 3 Financial Assets	
Refer to notes 25, 26 and 37(e) to the consolidated financial statements. As at 31 December 2023, the Group held unlisted financial assets amounting to HK$685.4 million and HK$50.6 million which were measured at fair value through profit or loss and fair value through other comprehensive income respectively. They were classified as Level 3 financial assets under the fair value hierarchy ("**Level 3 Financial Assets**"), representing approximately 16.1% of the Group's total assets. Management selected and adopted specific valuation models that required a considerable number of inputs and judgments. Where observable data is not readily available, estimates of inputs need to be developed by management which will involve their judgments. Valuation of Level 3 Financial Assets was considered to be a key area of audit focus due to the size of the balance and the high degree of estimation uncertainty. The inherent risk in relation to the valuation of Level 3 Financial Assets is considered significant due to subjectivity of management judgments and assumptions involved in developing the estimate.	We performed the following audit procedures over valuation of Level 3 Financial Assets: • We obtained an understanding of the management's internal control and assessment process of valuation of Level 3 Financial Assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity of the management judgments and assumptions applied; • We evaluated and tested the key controls in relation to the management's review on the valuation of Level 3 Financial Assets; • We assessed the competency, capabilities and objectivity of the external valuation specialists engaged by the management; • We inspected the relevant terms and conditions of the underlying investment agreements to evaluate the impact on valuation; and • With the assistance of our internal valuation specialists, we performed independent assessments of the Group's valuation of Level 3 Financial Assets. Our independent valuation assessments included evaluating the appropriateness of valuation models, assessing the reasonableness of the management judgments and assumptions, and the key inputs used in the valuation models with reference to relevant available market data. Based on the above, we considered that management's judgments and assumptions applied in the valuation of Level 3 Financial Assets were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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 assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Mr. Tam Man Kit, James.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	4	**493,894**	801,981
Net losses on financial assets/liabilities at fair value through profit or loss ("**FVTPL**")		**(210,476)**	(235,421)
Net losses on financial assets at fair value through other comprehensive income ("**FVOCI**")		**(127,673)**	(46,674)
Net gains on financial assets at amortised cost		**–**	20
Other income	6	**33,737**	15,735
Other losses	7	**(17,178)**	(25,400)
Impairment losses	8	**(329,950)**	(506,793)
Staff costs	10	**(62,822)**	(95,046)
Depreciation and amortisation		**(22,548)**	(22,224)
Other operating expenses		**(57,777)**	(50,882)
Finance costs	9	**(260,193)**	(266,109)
Loss before taxation	10	**(560,986)**	(430,813)
Taxation	13	**(11,320)**	(5,784)
Loss for the year attributable to owners of the Company		**(572,306)**	(436,597)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Loss for the year attributable to owners of the Company		**(572,306)**	(436,597)
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**58,152**	(284,137)
Item that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)		**176,743**	(252,117)
Other comprehensive income/(loss) for the year, net of tax		**234,895**	(536,254)
Total comprehensive loss for the year attributable to owners of the Company		**(337,411)**	(972,851)
		HK cents	HK cents
Loss per share attributable to owners of the Company	15		
– Basic		**(51.04)**	(37.96)
– Diluted		**(51.04)**	(37.96)

The notes on pages 110 to 213 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current assets			
Property, plant and equipment	16	**5,141**	4,890
Right-of-use asset	17(a)	**56,021**	75,228
Goodwill	18	**16,391**	16,391
Intangible assets	19	**960**	960
Financial assets at amortised cost	21	**15,740**	–
Other assets		**19,524**	13,416
		113,777	110,885
Current assets			
Accounts receivable	22	**104,826**	212,831
Prepayments, deposits and other receivables	23	**21,658**	76,441
Interest receivables	23	**42,682**	116,551
Loans and advances	20	**55,137**	439,888
Financial assets at fair value through other comprehensive income	25	**2,269,818**	6,058,401
Financial assets at fair value through profit or loss	26	**1,250,948**	2,616,079
Tax recoverable		**10,586**	19,577
Cash held on behalf of customers	27(a)	**254,016**	216,486
Cash and cash equivalents	27(b)	**436,102**	982,858
		4,445,773	10,739,112

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Current liabilities			
Accounts payable	28	**286,930**	261,375
Other payables and accruals	29	**44,496**	122,879
Amount due to an intermediate holding company	24	**32,864**	55,459
Loans from an intermediate holding company	30	**1,829,010**	4,710,620
Tax payable		**–**	12,955
Financial assets sold under repurchase agreements	33	**1,044,658**	3,974,951
Financial liabilities at fair value through profit or loss	34	**–**	14,871
Lease liabilities	17(a)	**19,183**	20,801
		3,257,141	9,173,911
Net current assets		**1,188,632**	1,565,201
Total assets less current liabilities		**1,302,409**	1,676,086
Non-current liabilities			
Lease liabilities	17(a)	**39,445**	57,959
Deferred tax liabilities	32	**10,262**	18,769
		49,707	76,728
NET ASSETS		**1,252,702**	1,599,358

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
CAPITAL AND RESERVES			
Share capital	35	**447,745**	449,466
Reserves		**804,957**	1,149,892
TOTAL EQUITY		**1,252,702**	1,599,358

Approved and authorised for issue by the board of directors on 27 March 2024.

Li Baochen
DIRECTOR

Li Ming
DIRECTOR

The notes on pages 110 to 213 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Notes	Share capital HK$'000	Share premium HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000 (Note c)	Accumulated losses HK$'000	Total HK$'000
		Attributable to owners of the Company							
At 1 January 2023		449,466	1,618,497	1,823,745	(269,869)	(221,639)	(402)	(1,800,440)	1,599,358
Changes in equity for 2023:									
Loss for the year		–	–	–	–	–	–	(572,306)	(572,306)
Other comprehensive income		–	–	–	176,743	58,152	–	–	234,895
Total comprehensive income/(loss)		–	–	–	176,743	58,152	–	(572,306)	(337,411)
Disposal of equity investments at fair value through other comprehensive income		–	–	–	–	57,634*	–	(57,634)*	–
Shares repurchased and cancelled	35(i)	(1,721)	(4,175)	–	–	–	1,163	–	(4,733)
Shares repurchased but not yet cancelled		–	–	–	–	–	(4,512)	–	(4,512)
Balance at 31 December 2023		447,745	1,614,322	1,823,745	(93,126)	(105,853)	(3,751)	(2,430,380)	1,252,702

* Amounts reclassified to accumulated losses upon disposal of equity investments at fair value through other comprehensive income.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

		Attributable to owners of the Company							
	Notes	Share capital HK$'000	Share premium HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000 (Note c)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022		469,786	1,703,289	1,909,183	(17,752)	7,195	(7,464)	(1,308,540)	2,755,697
Changes in equity for 2022:									
Loss for the year		–	–	–	–	–	–	(436,597)	(436,597)
Other comprehensive loss		–	–	–	(252,117)	(284,137)	–	–	(536,254)
Total comprehensive loss		–	–	–	(252,117)	(284,137)	–	(436,597)	(972,851)
Disposal of equity investments at fair value through other comprehensive income		–	–	–	–	55,303*	–	(55,303)*	–
Shares repurchased and cancelled	35(i)	(20,320)	(84,792)	–	–	–	8,225	–	(96,887)
Shares repurchased but not yet cancelled		–	–	–	–	–	(1,163)	–	(1,163)
Dividend approved in respect of the previous year		–	–	(85,438)	–	–	–	–	(85,438)
Balance at 31 December 2022		449,466	1,618,497	1,823,745	(269,869)	(221,639)	(402)	(1,800,440)	1,599,358

* Amounts reclassified to accumulated losses upon disposal of equity investments at fair value through other comprehensive income.

Notes:

a. Share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

b. Amounts represent credits arisen from the capital reduction and share premium cancellation transferred to the contributed surplus account, which had been partially utilised to eliminate the accumulated losses of the Group.

c. The other reserve of the Group represents the difference between the proportionate share of net assets attributable to additional interest in a subsidiary and the consideration paid, and treasury shares of the Company held as at 31 December 2023 and 2022.

The notes on pages 110 to 213 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Operating activities			
Cash from operations	27(c)	**2,407,039**	392,236
Hong Kong Profits Tax paid		**(23,791)**	(47,065)
Interest received		**300,143**	431,170
Dividend received		**4,730**	15,886
Interest paid		**(324,470)**	(219,807)
Net cash generated from operating activities		**2,363,651**	572,420
Investing activity			
Purchases of property, plant and equipment		**(3,592)**	(521)
Net cash used in investing activity		**(3,592)**	(521)
Financing activities			
Repurchase of shares		**(9,245)**	(98,050)
New loans raised		**1,284,486**	3,592,291
Repayment of loans		**(4,158,776)**	(2,608,595)
Repayment of notes		**–**	(1,130,765)
Dividend paid		**–**	(85,438)
Principal and interest elements of lease payments	17(b)	**(22,534)**	(20,801)
Net cash used in financing activities		**(2,906,069)**	(351,358)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Net (decrease)/increase in cash and cash equivalents		**(546,010)**	220,541
Cash and cash equivalents at the beginning of year		**982,858**	769,875
Effect of foreign exchange rate changes, net		**(746)**	(7,558)
Cash and cash equivalents at the end of year		**436,102**	982,858
Analyses of cash and cash equivalents at end of year:			
Bank balances – house accounts	27(b)	**436,102**	982,858

The notes on pages 110 to 213 form part of these financial statements.

1 GENERAL INFORMATION

CMBC Capital Holdings Limited ("**the Company**") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

At 31 December 2023, the directors consider the immediate parent and ultimate controlling party to be CMBC International Investment Limited, which is incorporated in British Virgin Islands and China Minsheng Banking Corp., Ltd. which is incorporated in People's Republic of China, respectively. The ultimate controlling entity produces financial statements available for public use and can be obtained at the website of the Stock Exchange.

The principal activities of the Company are investment holding and provision of loan financing services. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

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

– financial instruments classified as financial assets at fair value through other comprehensive income (see note 2(r)); and

– financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (see note 2(r)).

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

2 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

A number of new or amended standards became applicable for the current reporting period, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following amendments to accounting standards are applicable for annual reporting periods commencing on or after 1 January 2023:

- Definition of Accounting Estimates – amendments to HKAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12
- Disclosure of Accounting Policies – amendments to HKAS 1 and HKFRS Practice Statement 2

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(d) New standards and interpretations not yet adopted

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(e) Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(e) Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

(f) Business combinations

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(f) Business combinations (continued)

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2 MATERIAL ACCOUNTING POLICIES (continued)

(f) Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

(g) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(h) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

2 MATERIAL ACCOUNTING POLICIES (continued)

(i) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. The Group applied the optional practical expedient to immediately expense cost to obtain a contract if the amortisation period of the asset that would have recognised is one year or less.

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

(i) Revenue arising from financial services is recognised on the following basis:

- Commission income for brokerage business and future and options contracts dealing services are recognised on execution of purchase, sales or other transactions or services by the Group on behalf of its clients;

- Underwriting, sub-underwriting, placing and sub-placing commissions are recognised as income in accordance with the terms of underlying agreement or deal mandate when the relevant significant act has completed;

- Financial advisory, sponsorship, arrangement fee and other service income are recognised over time according to performance obligation and transaction prices of the contracts. It is recognised when the Group has an enforceable right to payment for performance completed to date at all times throughout the duration of the contract;

2 MATERIAL ACCOUNTING POLICIES (continued)

(i) Revenue recognition (continued)

(i) Revenue arising from financial services is recognised on the following basis: (continued)

- Asset management fee income and investment advisory services fee income are recognised over time as those services are provided continuously over the contract period. Invoices for these services income are issued on a regular basis based on the terms stated in the contract; and

- The Group is entitled to a performance fee income when there is a positive performance for the relevant performance period and it is recognised at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Interest income from a financial asset is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of expected credit loss allowance) of the asset.

(iii) Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

(iv) The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below (see note 2(k)).

2 MATERIAL ACCOUNTING POLICIES (continued)

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

(k) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 MATERIAL ACCOUNTING POLICIES (continued)

(k) Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contacts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2 MATERIAL ACCOUNTING POLICIES (continued)

(l) Employee benefits

(i) Retirement benefit costs

Payment to Hong Kong Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

(ii) Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

A liability is recognised for discretionary bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(m) Borrowings costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Taxation

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(n) Taxation (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(n) Taxation (continued)

The Group is subject to income taxes predominantly in Hong Kong and judgment is required in determining the provision for income taxes. There could be transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the estimated amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(o) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(p) Intangible assets

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and impairment losses, on the same basis as intangible assets that acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

2 MATERIAL ACCOUNTING POLICIES (continued)

(q) Impairment of tangible and intangible assets other than goodwill and financial assets

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

(i) Financial assets

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest ("**SPPI**"). Interest income from the investment is calculated using the effective interest method;

– FVOCI (recycling), if the contractual cash flows of the investment comprise SPPI and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECLs"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

(i) Financial assets (continued)

Investments other than equity investments (continued)

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Group considers:

– Contingent events that would change the amount and timing of cash flows;

– Leverage features;

– Prepayment and extension terms;

– Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and

– Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

(i) Financial assets (continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as revenue.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(ii) Financial liabilities and equity instruments

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including accounts payable, other payables, loans from an intermediate holding company, lease liability, amount due to an intermediate holding company and financial assets sold under repurchase agreements) are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss, except for changes in fair value attributable to changes in own credit risk which are presented in other comprehensive income.

Derecognition

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable and loans and advances);

– contract assets as defined in HKFRS 15;

– debt securities measured at FVOCI (recycling); and

– loan commitments issued, which are not measured at FVTPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVTPL, and equity securities designated at FVOCI (non-recycling), are not subject to the expected credit loss ("**ECL**") assessment.

Measurement of ECLs

The Group established ECL model by using a statistical approach for financial instruments. This approach involves estimation of four risk parameters, i.e. Probability of Default ("**PD**"), Loss Given Default ("**LGD**"), Exposure at Default ("**EAD**") and expected life, as well as the use of effective interest rate and forward-looking information.

In calculating the expected credit loss rates, forward looking macroeconomic information, such as unemployment rate and gross domestic product ("**GDP**"), is incorporated as part of risk parameters estimation.

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Measurement of ECLs (continued)

Multiple economic scenarios are considered such that a probability-weighted average ECL can be estimated. Three scenarios are proposed, i.e. good scenario, neutral scenario and bad scenario. By considering the corresponding probabilities of the scenarios, the probability-weighted average ECL can be estimated.

Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and accounts receivable: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial instruments that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

POCI – Purchased or originated credit-impaired ("**POCI**") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Measurement of ECLs (continued)

For financial instruments including financial assets measured at amortised cost, debt securities measured at FVOCI, loan commitments issued, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

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

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Significant increases in credit risk (continued)

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less expected credit loss allowance) of the financial asset.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(t) Cash and cash equivalents

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

Segregated accounts maintained by the Group to hold clients' monies are recognised as an asset in financial statements and are disclosed in note 27 to the consolidated financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Segment reporting

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

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

(w) Financial assets sold under repurchase agreements

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(x) Share-based payment transactions

(i) Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 39 to the Group's consolidated financial statements.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss, with a corresponding increase in equity (share option reserve).

(ii) Share options granted to agents and consultants/vendors

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

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

3 ACCOUNTING JUDGMENT AND ESTIMATES

Sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

An annual assessment is made, as set out in note 18, as to whether the current carrying value of goodwill is impaired.

Fair value of level 3 financial instruments

Notes 2(r) and 37(e) provide further information on the Group's fair value accounting policy and how the fair values of financial instruments are determined.

Impairment of financial assets

Policies on impairment of financial assets are set out in note 2(s).

Taxation

Policies on current and deferred tax are set out in note 2(n).

4 REVENUE

An analysis of the Group's revenue for the year is as follows:

	2023 HK$'000	2022 HK$'000
Commission income from brokerage and related services	13,736	539
Commission income from underwriting, sub-underwriting, placing and sub-placing	26,090	22,677
Interest income from debt securities investments	93,770	233,891
Interest income from FVTPL investments	33,863	61,622
Interest income from provision of finance and securities margin financing	44,817	53,706
Dividend income and other investment income	140,145	243,326
Financial advisory, sponsorship, arrangement fee and other service income	17,048	20,127
Asset management fee, investment advisory services fee and performance fee income	124,425	166,093
	493,894	801,981

5 SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's management, being the chief operating decision makers, for the purpose of resources allocation and assessment of segment performance focusing on types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- the "securities" segment representing the business line of provision of brokerage services, securities margin financing services to clients and securities underwriting/placing;

- the "fixed-income direct investment" segment representing direct investment and trading activities in fixed-income securities;

- the "other investment and financing" segment representing investment and trading activities in equity securities, bonds and funds other than direct investment and trading activities in fixed-income securities, and provision of loan financing services;

- the "asset management" segment representing provision of asset management services to clients;

- the "corporate finance and advisory" segment representing provision of sponsorship, financial advisory and financial arrangement services to clients, and provision of client referral services; and

- the "others" segment primarily includes head office operations as well as interest income and interest expense incurred for generating working capital for general operations.

5 SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	13,736	539
– Commission income from underwriting, sub-underwriting, placing and sub-placing	26,090	22,677
– Financial advisory, sponsorship, arrangement fee and other service income	17,048	20,127
– Asset management fee, investment advisory services fee and performance fee income	124,425	166,093
	181,299	209,436
Revenue from other sources		
Loan and financing		
– Interest income from provision of finance and securities margin financing	44,817	53,706
Financial investments		
– Interest income from debt securities investments	93,770	233,891
– Interest income from FVTPL investments	33,863	61,622
– Dividend income and other investment income	140,145	243,326
	267,778	538,839
	493,894	801,981

5 SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue (continued)

Disaggregation of revenue is set out below:

	Securities		Fixed-income direct investment		Other investment and financing		Asset management		Corporate finance and advisory		Total	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15	25,844	13,953	–	–	–	–	124,425	166,093	31,030	29,390	181,299	209,436
Revenue from other sources												
Loan and financing												
– Interest income from provision of finance and securities margin financing	8,057	15,064	–	–	36,760	38,642	–	–	–	–	44,817	53,706
Financial investments												
– Interest income from debt securities investments	–	–	93,770	233,891	–	–	–	–	–	–	93,770	233,891
– Interest income from FVTPL investments	–	–	31,222	47,068	2,641	14,554	–	–	–	–	33,863	61,622
– Dividend income and other investment income	–	–	135,415	227,440	4,730	15,886	–	–	–	–	140,145	243,326
	–	–	260,407	508,399	7,371	30,440	–	–	–	–	267,778	538,839
Reportable segment revenue	33,901	29,017	260,407	508,399	44,131	69,082	124,425	166,093	31,030	29,390	493,894	801,981

5 SEGMENT INFORMATION (continued)

(ii) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	For the year ended 31 December 2023						
	Securities HK$'000	Fixed income direct investment HK$'000	Other investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Segment revenue and investment gains/(losses)							
– Reportable segment revenue	33,901	260,407	44,131	124,425	31,030	–	493,894
– Net gains/(losses) on financial assets/ liabilities at fair value through profit or loss	–	4,534	(215,010)	–	–	–	(210,476)
– Net losses on financial assets at fair value through other comprehensive income	–	(127,673)	–	–	–	–	(127,673)
	33,901	137,268	(170,879)	124,425	31,030	–	155,745
Other income	10,048	9,466	3,447	8	298	10,470	33,737
Other gains and losses	925	(22,463)	1,813	442	3	2,102	(17,178)
Segment expenses	(59,671)	(444,919)	(135,064)	(25,528)	(21,247)	(46,861)	(733,290)
Segment results	(14,797)	(320,648)	(300,683)	99,347	10,084	(34,289)	(560,986)

5 SEGMENT INFORMATION (continued)

(ii) Segment revenue and results (continued)

	For the year ended 31 December 2022						
	Securities HK$'000	Fixed income direct investment HK$'000	Other investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Segment revenue and investment gains/(losses)							
– Reportable segment revenue	29,017	508,399	69,082	166,093	29,390	–	801,981
– Net losses on financial assets/liabilities at fair value through profit or loss	–	(33,570)	(201,851)	–	–	–	(235,421)
– Net losses on financial assets at fair value through other comprehensive income	–	(46,674)	–	–	–	–	(46,674)
– Net gains on financial assets at amortised cost	–	20	–	–	–	–	20
	29,017	428,175	(132,769)	166,093	29,390	–	519,906
Other income	2,429	3,501	372	27	276	9,130	15,735
Other losses	(1,338)	(23,632)	(31)	(252)	(1)	(146)	(25,400)
Segment expenses	(90,877)	(605,799)	(142,505)	(27,823)	(21,234)	(52,816)	(941,054)
Segment results	(60,769)	(197,755)	(274,933)	138,045	8,431	(43,832)	(430,813)

5 SEGMENT INFORMATION (continued)

(iii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	As at 31 December 2023						
	Securities HK$'000	Fixed income direct investment HK$'000	Other investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Assets							
Segment assets	596,612	2,735,371	1,001,299	40,942	22,343	162,983	4,559,550
Liabilities							
Segment liabilities	351,269	2,806,935	100,401	198	448	47,597	3,306,848

	As at 31 December 2022						
	Securities HK$'000	Fixed income direct investment HK$'000	Other investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Assets							
Segment assets	590,983	7,601,339	2,307,166	146,215	1,429	202,865	10,849,997
Liabilities							
Segment liabilities	480,254	7,858,321	737,399	13,156	–	161,509	9,250,639

5 SEGMENT INFORMATION (continued)

(iii) Segment assets and liabilities (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results represent the profit earned by/(loss from) each segment without allocation of central administrative costs, directors' emoluments, certain other income, certain other gains and losses and finance costs. This is the measure reported to the chief operating decision makers for the purpose of resources allocation and performance assessment.

Assets and liabilities, excluding intragroup receivables and payables, are allocated to reportable and operating segments.

(iv) Other segment information

	For the year ended 31 December 2023						
	Securities HK$'000	Fixed income direct investment HK$'000	Other investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Depreciation of property, plant and equipment	–	–	–	–	–	3,341	3,341
Depreciation of right-of-use asset	–	–	–	–	–	19,207	19,207
Addition of property, plant and equipment	–	–	–	–	–	3,592	3,592
Impairment loss in respect of loans and advances	–	–	89,954	–	–	–	89,954
Impairment loss in respect of accounts receivable	39,033	–	–	–	–	–	39,033
Impairment loss in respect of financial assets at fair value through other comprehensive income	–	197,569	–	–	–	–	197,569
Impairment loss in respect of financial assets at amortised cost	–	23	–	–	–	–	23
Impairment loss in respect interest receivables	–	3,371	–	–	–	–	3,371
Finance costs	32	236,010	21,748	–	–	2,403	260,193

5 SEGMENT INFORMATION (continued)

(iv) Other segment information (continued)

	For the year ended 31 December 2022						
	Securities HK$'000	Fixed income direct investment HK$'000	Other investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Depreciation of property, plant and equipment	2	–	–	–	–	3,015	3,017
Depreciation of right-of-use asset	–	–	–	–	–	19,207	19,207
Addition of property, plant and equipment	–	–	–	–	–	521	521
Impairment loss in respect of loans and advances	–	–	88,368	–	–	–	88,368
Impairment loss in respect of accounts receivable	62,312	–	–	–	–	–	62,312
Impairment loss in respect of financial assets at fair value through other comprehensive income	–	332,497	–	–	–	–	332,497
Reversal of impairment loss in respect of financial assets at amortised cost	–	(181)	–	–	–	–	(181)
Impairment loss in respect interest receivables	–	23,797	–	–	–	–	23,797
Finance costs	3	228,074	34,997	–	–	3,035	266,109

(v) Geographical information

The Group's operations are carried out in Hong Kong.

The Group's revenue from external customers and its non-current assets are located in Hong Kong.

(vi) Information about major customers

Revenue of approximately HK$87,086,000 for the year ended 31 December 2023 was derived from asset management service to a customer and accounted for more than 10% of the total revenue (2022: HK$101,173,000).

6 OTHER INCOME

	2023 HK$'000	2022 HK$'000
Bank interest income	**17,834**	3,458
Office sharing fee income	**8,880**	8,880
Other income	**7,023**	3,397
	33,737	15,735

7 OTHER LOSSES

	2023 HK$'000	2022 HK$'000
Net exchange losses	**17,178**	25,400

8 IMPAIRMENT LOSSES

	2023 HK$'000	2022 HK$'000
Provision/(reversal) of impairment losses		
– Loans and advances (note 20)	**89,954**	88,368
– Accounts receivable (note 22)	**39,033**	62,312
– Financial assets at fair value through other comprehensive income (note 25)	**197,569**	332,497
– Financial assets at amortised cost (note 21)	**23**	(181)
– Interest receivables (note 23)	**3,371**	23,797
	329,950	506,793

9 FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest expense on:		
Notes payable (note 31)	–	8,944
Bank borrowings	32	3
Repurchase agreements	140,887	105,263
Loans from an intermediate holding company	116,872	148,864
Lease liabilities (note 17(b))	2,402	3,035
	260,193	266,109

10 LOSS BEFORE TAXATION

	2023 HK$'000	2022 HK$'000
Loss before taxation is arrived at after charging:		
Staff costs (including directors' remuneration):		
Wages and salaries	61,572	93,626
Retirement benefits contributions	1,250	1,420
Total staff costs	62,822	95,046
Auditor's remuneration	4,014	4,391
Depreciation of property, plant and equipment (note 16)	3,341	3,017
Depreciation of right-of-use asset (note 17(b))	19,207	19,207

11 DIRECTORS' REMUNERATION

The remuneration paid or payable to the executive directors, non-executive directors and independent non-executive directors of the Company is disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, as follows:

	For the year ended 31 December 2023									
	Executive directors				Non-executive directors		Independent non-executive directors			
	Mr. Li Baochen[1] HK$'000	Mr. Li Ming[1] HK$'000	Mr. Ng Hoi Kam HK$'000	Mr. Ding Zhisuo[2] HK$'000	Mr. Yang Kunpeng HK$'000	Mr. Li Wenshi HK$'000	Mr. Lee, Cheuk Yin Dannis HK$'000	Mr. Wu Bin HK$'000	Mr. Wang Lihua HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	300	300	300	900
Other emoluments:										
Salaries and other allowances	–	–	3,080	–	–	–	–	–	–	3,080
Discretionary bonuses	–	–	–	–	–	–	–	–	–	–
Retirement benefits contribution	–	–	17	–	–	–	–	–	–	17
	–	–	3,097	–	–	–	300	300	300	3,997

Notes:

(1) Mr. Li Baochen was appointed as a director of CMBCI on 30 December 2022 and as an executive Director of the Company with effect from 6 January 2023. Mr. Li Ming was appointed as the deputy general manager of CMBCI on 28 December 2022 and as an executive Director of the Company with effect from 6 January 2023. Mr. Li Baochen and Mr. Li Ming receive remuneration from CMBCI for their services to the group headed by CMBCI which the Company is a member. Accordingly, they will not receive any remuneration for their services as executive Directors of the Company. No apportionment of their remuneration between CMBCI and the Company has been made during the Reporting Year.

(2) Mr. Ding Zhisuo resigned as an executive Director of the Company with effect from 6 January 2023.

11 DIRECTORS' REMUNERATION (continued)

	For the year ended 31 December 2022								
	Executive directors			Non-executive directors		Independent non-executive directors			
	Mr. Li Jinze HK$'000	Mr. Ding Zhisuo HK$'000	Mr. Ng Hoi Kam HK$'000	Mr. Yang Kunpeng HK$'000	Mr. Li Wenshi HK$'000	Mr. Lee, Cheuk Yin Dannis HK$'000	Mr. Wu Bin HK$'000	Mr. Wang Lihua HK$'000	Total HK$'000
Fees	–	–	–	–	–	300	300	300	900
Other emoluments:									
Salaries and other allowances	2,400	3,900	3,360	–	–	–	–	–	9,660
Discretionary bonuses	800	2,010	2,332	–	–	–	–	–	5,142
Retirement benefits contribution	9	18	18	–	–	–	–	–	45
	3,209	5,928	5,710	–	–	300	300	300	15,747

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

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group or as compensation for loss of office in both the years ended 31 December 2023 and 2022. No director waived or agreed to waive any emolument in both the years ended 31 December 2023 and 2022.

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments in the Group, one (2022: three) was director of the Company whose remuneration is set out in note 11 above. Details of the remuneration of the remaining four (2022: two) non-director, highest paid employees for the year are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other allowances	**7,960**	4,219
Discretionary bonuses	**1,789**	4,353
Retirement benefits contributions	**62**	36
	9,811	8,608

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The emoluments of the five highest paid employees, including directors, for the year fell within the following bands:

	Number of individuals	
	2023	2022
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**2**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	2
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**–**	–
HK$5,500,001 to HK$6,000,000	**–**	2
	5	5

No emoluments were paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office in both the years ended 31 December 2023 and 2022.

13 TAXATION

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2023 **HK$'000**	2022 HK$'000
Current tax:		
Hong Kong Profits Tax	**19,199**	22,451
Under/(over) provision in prior years	**628**	(759)
	19,827	21,692
Deferred tax (note 32):		
Origination and reversal of temporary differences	**(8,507)**	(15,908)
	11,320	5,784

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both the years ended 31 December 2023 and 2022.

13 TAXATION (continued)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2023 HK$'000	2022 HK$'000
Loss before taxation	**(560,986)**	(430,813)
Notional tax credit at the profit tax rate of Hong Kong of 16.5% (2022: 16.5%)	**(92,563)**	(71,084)
Tax effect of income not taxable for tax purpose	**(87,928)**	(35,406)
Tax effect of expenses not deductible for tax purpose	**111,829**	34,419
Tax effect of tax losses not recognised	**79,354**	87,480
Tax losses utilised from previous periods	**–**	(4)
Under/(over) provision in prior years	**628**	(759)
Reversal of deferred tax recognised	**–**	(8,862)
Income tax expense	**11,320**	5,784

Organisation for Economic Co-operation and Development's ("OECD") Global Minimum Tax ("Pillar Two") model rules

The Group is within the scope of the OECD Pillar Two model rules. At the date of this report, the Government of the Hong Kong Special Administrative Region has announced to implement the rules for income year commencing on or after 1 January 2025. The Group continues to monitor the local legislation for Hong Kong and assesses the potential impact. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 "Income Taxes" issued in July 2023.

14 DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2023.

The final dividend of HK7.48 cents per share for the year ended 31 December 2021 had been approved by the shareholders of the Company on 29 June 2022 and was paid on 29 July 2022 in an aggregated amount of approximately HK$85,438,000.

15 LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2023 HK$'000	2022 HK$'000
Loss		
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(572,306)**	(436,597)

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,121,224**	1,150,093

The denominators used are the same as those detailed above for the basic and diluted loss per share.

There was no dilutive items during the years ended 31 December 2023 and 2022.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 January 2022	10,154	6,152	16,306
Additions	148	373	521
At 31 December 2022	10,302	6,525	16,827
Additions	538	3,054	3,592
At 31 December 2023	10,840	9,579	20,419
Accumulated depreciation and impairment			
At 1 January 2022	5,109	3,811	8,920
Charged for the year (note 10)	2,058	959	3,017
At 31 December 2022	7,167	4,770	11,937
Charged for the year (note 10)	2,150	1,191	3,341
At 31 December 2023	9,317	5,961	15,278
Carrying values			
At 31 December 2023	1,523	3,618	5,141
At 31 December 2022	3,135	1,755	4,890

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum.

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	20%

17 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Right-of-use asset		
Office	**56,021**	75,228
Lease liabilities		
Current	**19,183**	20,801
Non-current	**39,445**	57,959
	58,628	78,760

There was no addition to the right-of-use assets during the years ended 31 December 2023 and 2022.

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2023 HK$'000	2022 HK$'000
Depreciation of right-of-use asset		
Office (note 10)	**19,207**	19,207
Interest expenses (included in finance costs) (note 9)	**2,402**	3,035

The total cash outflow for leases in 2023 was HK$22,534,000 (2022: HK$20,801,000).

17 LEASES (continued)

(c) The Group's leasing activities and how these are accounted for

For both years, the Group leases one office, and office rental contracts are typically made for fixed periods of 2 to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

18 GOODWILL

	HK$'000
Cost	
At 1 January 2022, 31 December 2022 and 31 December 2023	551,445
Impairment	
At 1 January 2022, 31 December 2022 and 31 December 2023	535,054
Carrying values	
At 31 December 2022 and 31 December 2023	16,391

For the purposes of impairment testing, the management considered there are two CGUs in relation to goodwill allocation, including the first CGU from "Securities" and the second CGU from "Asset management". After considering the scale of operation of these CGUs, all goodwill is allocated to the first CGU.

18 GOODWILL (continued)

The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below.

The recoverable amount of the CGU has been determined by the value-in-use in respect of the above entities comprising the CGU. The value-in-use was assessed by the management based on a business valuation performed internally (2022: by an independent professional qualified valuer) using the income approach which uses cash flow projections covering a 5-year period and discount rate of 8.06% (2022: 7.59%).

The cash flow projections at 31 December 2023 has taken into account the expansion of business. The cash flows beyond the 5-year period are extrapolated assuming 3% growth rate (2022: 3%). This growth rate is based on the expectation of long-term inflation in Hong Kong. Other key assumptions for the cash flow projections relate to the estimation of cash inflows/outflows which include estimated income generated from the CGU, such estimation is based on the past performance of the CGU and the expectation on the market development.

For the purpose of impairment assessment, the value-in-use of the CGU amounting to HK$814,000,000 (2022: HK$794,000,000). By comparing the aforesaid aggregate carrying amount of the CGU with the value-in-use of the CGU, the management determined that the recoverable amount of the CGU is estimated to be more than the aggregate carrying amounts of net assets directly attributable to the CGU, goodwill, trading rights and customers' relationship and no impairment losses in respect of goodwill (2022: Nil) is recognised in profit or loss during the year ended 31 December 2023.

19 INTANGIBLE ASSETS

	Trading rights HK$'000	Customers' relationship HK$'000	Total HK$'000
Cost			
At 1 January 2022, 31 December 2022 and 31 December 2023	960	144,799	145,759
Amortisation and impairment			
At 1 January 2022, 31 December 2022 and 31 December 2023	–	144,799	144,799
Carrying values			
At 31 December 2022 and 2023	960	–	960

No amortisation of intangible assets was recognised for the years ended 31 December 2023 and 2022.

Trading rights represent rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange Limited ("HKFE"). The trading rights have no foreseeable limit to period that the Group can use to generate net cash flows, accordingly, the trading rights are considered as having indefinite useful lives.

Customers' relationship represents the customers' networks of brokerage and related business. Amortisation for customers' relationship with finite useful lives is recognised on a straight-line basis over its estimated useful lives of 6 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

19 INTANGIBLE ASSETS (continued)

No impairment of trading rights and customers' relationship was identified based on the valuation performed internally (2022: by an independent professional qualified valuer) using the income approach at a discount rate of 8.06% at 31 December 2023 (2022: 7.59%).

The trading rights and customers' relationship also formed part of the assets included in the CGU for which goodwill impairment is assessed and details are set out in note 18.

20 LOANS AND ADVANCES

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Loans and advances	**286,740**	581,537
Less: Allowance for expected credit losses	**(231,603)**	(141,649)
	55,137	439,888

The carrying amounts of the above loans and advances as at 31 December 2023 and 2022 are due within one year and presented under current assets.

During the year ended 31 December 2023, impairment losses of HK$89,954,000 (2022: HK$88,368,000) was recognised in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2023, loans and advances to independent third parties with gross carrying amount of HK$258,119,000 (2022: HK$257,791,000) were assessed as credit-impaired and be included in Stage 3. Allowance for expected credit losses of HK$231,561,000 (2022: HK$141,200,000) was measured and recognised, which represented the difference between the outstanding loan balances and the expected recoverable amounts (taking into account of the underlying collaterals) as determined by independent professional valuers.

20 LOANS AND ADVANCES (continued)

Movement in expected credit losses is as follows:

	2023 Expected credit losses				2022 Expected credit losses			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January	449	–	141,200	141,649	593	12,416	40,272	53,281
Transfer	–	–	–	–	–	(12,416)	12,416	–
Impairment losses (released)/charged to profit or loss (note 8)	(407)	–	90,361	89,954	(144)	–	88,512	88,368
At 31 December	42	–	231,561	231,603	449	–	141,200	141,649

Analysis of the gross carrying amount for which an expected credit loss allowance is recognised according to the stage of expected credit losses is as follows:

	Stage of assets			
	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL (Credit-impaired) HK$'000	Total HK$'000
As at 31 December 2023	28,621	–	258,119	286,740
As at 31 December 2022	323,746	–	257,791	581,537

21 FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Listed debt investments	**15,763**	–
Less: Allowance for expected credit losses	**(23)**	–
	15,740	–
Less: Amount due within one year presented under current assets	**–**	–
Amount presented under non-current assets	**15,740**	–
Analysed as:		
Financial assets at amortised cost (non-current)	**15,763**	–
Less: Allowance for expected credit losses	**(23)**	–
	15,740	–

21 FINANCIAL ASSETS AT AMORTISED COST (continued)

Movement in expected credit losses is as follows:

	2023				2022			
	Expected credit losses				Expected credit losses			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January	–	–	–	–	201	–	–	201
Impairment losses charged/(released) to profit or loss (note 8)	23	–	–	23	(181)	–	–	(181)
Derecognition	–	–	–	–	(20)	–	–	(20)
At 31 December	23	–	–	23	–	–	–	–

Analysis of the gross carrying amount for which an expected credit loss allowance is recognised according to the stage of expected credit losses is as follows:

	Stage of assets			
	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL (Credit-impaired) HK$'000	Total HK$'000
As at 31 December 2023	15,763	–	–	15,763
As at 31 December 2022	–	–	–	–

22 ACCOUNTS RECEIVABLE

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	**40,426**	10,418
– Cash clients	**182**	5
– Margin clients	**142,165**	176,438
	182,773	186,861
Accounts receivable arising from the ordinary course of business of securities underwriting	**4,192**	3,173
Accounts receivable arising from the ordinary course of business of advisory and client referral services	**2,502**	–
Accounts receivable arising from the ordinary course of business of asset management services	**19,482**	87,887
	208,949	277,921
Less: Allowance for expected credit losses	**(104,123)**	(65,090)
	104,826	212,831

Movement in expected credit losses is as follows:

	2023 Expected credit losses				2022 Expected credit losses			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January	**329**	**–**	**64,761**	**65,090**	1,198	–	1,706	2,904
Transfer	**–**	**–**	**–**	**–**	(105)	–	105	–
Impairment losses (released)/charged to profit or loss (note 8)	**(325)**	**–**	**39,358**	**39,033**	(638)	–	62,950	62,312
Write-off	**–**	**–**	**–**	**–**	(126)	–	–	(126)
At 31 December	**4**	**–**	**104,119**	**104,123**	329	–	64,761	65,090

22 ACCOUNTS RECEIVABLE (continued)

Analysis of the gross carrying amount for which an expected credit loss allowance is recognised according to the stage of expected credit losses is as follows:

	Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023	**97,131**	**–**	**111,818**	**208,949**
As at 31 December 2022	168,047	–	109,874	277,921

Accounts receivable arising from the business of dealing in securities

The Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

The normal settlement terms of accounts receivable from clients and clearing house, except for accounts receivable due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Accounts receivable due from margin clients

Accounts receivable due from margin clients are repayable on demand and carry interest at 5% to 18.9% per annum during the year ended 31 December 2023 (2022: 3.5% to 18.6% per annum). The fair values of the pledged securities as at 31 December 2023 was approximately HK$250,535,000 (2022: HK$385,673,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited.

As at 31 December 2023, approximately 23% (2022: 39%) of the balance were secured by sufficient collateral on an individual basis. The corresponding collaterals held could be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients when the loan to value ratio is over 100%. The Group did not repledge collaterals held for financing as at 31 December 2022 and 2023.

22 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities (continued)

Accounts receivable due from margin clients (continued)

No ageing analysis in respect of accounts receivable from margin clients is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

Accounts receivable arising from the business of dealing in securities are assessed for ECLs in accordance with the policy set out in note 2(s). During the year ended 31 December 2023, impairment losses of HK$39,033,000 (2022: HK$59,599,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

Movement in the allowance for expected credit losses on accounts receivable arising from the business of dealing in securities are as follows:

	Cash clients HK$'000	Margin clients HK$'000	Total HK$'000
Balance at 1 January 2022	–	2,904	2,904
Impairment loss recognised during the year	–	59,599	59,599
Write-off	–	(126)	(126)
Balance at 31 December 2022	–	62,377	62,377
Impairment loss recognised during the year	–	39,033	39,033
Balance at 31 December 2023	–	101,410	101,410

The Group is allowed to offset certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances, and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 40.

22 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the businesses of securities underwriting, advisory, client referral and asset management services

Ageing of accounts receivable arising from the ordinary course of businesses of securities underwriting, advisory, client referral and asset management services, based on the due date, is as follows:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Not past due	**22,014**	46,510
Less than 31 days past due	**371**	39,724
31–60 days past due	**142**	270
61–90 days past due	**29**	–
Over 90 days past due	**3,620**	4,556
	26,176	91,060
Less: Allowance for expected credit losses	**(2,713)**	(2,713)
Total	**23,463**	88,347

The Group applies HKFRS 9 simplified approach to measure the expected credit losses for accounts receivable arising from the business of securities underwriting, advisory, client referral and asset management services. During the year ended 31 December 2023, no impairment losses (2022: HK$2,713,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES AND INTEREST RECEIVABLES

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Prepayments, deposits and other receivables		
Prepayments and deposits	**4,309**	3,363
Other receivables	**8,850***	67,864*
Contract assets	**8,499**	5,214
	21,658	76,441
Interest receivables	**42,682**	116,551

* Included in the amount of other receivables, HK$63.6 million were the receivables arising from securities trading as at 31 December 2022, which had been subsequently settled shortly after the year-end. There was no receivables arising from securities trading as at 31 December 2023.

The Group's interest receivables arise mainly from fixed-income direct investment business with gross carrying amount of HK$69,850,000 (2022: HK$140,348,000). An impairment loss of HK$3,371,000 (2022: HK$23,797,000) was recognised for the year ended 31 December 2023. The amount of ECL is updated at each reporting date to reflect the change in credit risk of the respective financial instruments since initial recognition.

24 AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

Amount due to an intermediate holding company is unsecured, interest-free and repayable on demand.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Listed, unlisted or quoted investments at fair value:		
Debt investments	**923,586**	2,716,439
Equity investments	**1,346,232**	3,341,962
	2,269,818	6,058,401

Movement in expected credit losses is as follows:

	2023 Expected credit losses					2022 Expected credit losses				
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Purchased Or Originated Credit Impaired HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Purchased Or Originated Credit Impaired HK$'000	Total HK$'000
At 1 January	**3,501**	**6,473**	**436,210**	**–**	**446,184**	8,996	3,993	110,053	–	123,042
Transfer	**–**	**(6,254)**	**6,254**	**–**	**–**	(1,264)	623	641	–	–
Impairment losses charged/(released) to profit or loss (note 8)	**373**	**34**	**197,162**	**–**	**197,569**	(1,656)	5,600	328,553	–	332,497
Derecognition	**(1,684)**	**(253)**	**–**	**–**	**(1,937)**	(2,575)	(3,743)	(3,037)	–	(9,355)
At 31 December	**2,190**	**–**	**639,626**	**–**	**641,816**	3,501	6,473	436,210	–	446,184

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Analysis of the carrying amount for which an expected credit loss allowance is recognised according to the stage of expected credit losses is as follows:

	Stage of assets				
	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL (Credit-impaired) HK$'000	Purchased or Originated Credit Impaired HK$'000	Total HK$'000
As at 31 December 2023	**835,275**	**–**	**88,311**	**–**	**923,586**
As at 31 December 2022	2,474,021	78,619	163,799	–	2,716,439

During the year ended 31 December 2023, an unrealised fair value loss of HK$144,601,000 arising from debt investments measured at fair value through other comprehensive income was recognised in the other comprehensive income (2022: HK$738,277,000). The loss reclassified upon derecognition from the fair value reserve (recycling) to profit or loss during the year ended 31 December 2023 was HK$125,712,000 (2022: HK$163,018,000).

During the year ended 31 December 2023, equity investments measured at fair value through other comprehensive income with fair value at derecognition in an amount of HK$2,492,107,000 had been derecognised (2022: HK$4,414,913,000) due to the strategic reduction in investment scale. The cumulative loss reclassified to accumulated losses upon disposal of these equity investments was HK$57,634,000 (2022: HK$55,303,000).

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Listed equity investments	**23,066**	68,207
Unlisted equity investments	**200,933**	259,277
Debt investments	**383,707**	1,516,117
Unlisted investment funds	**643,242**	772,478
	1,250,948	2,616,079

The fair values of the listed equity investments and debt investments were determined based on the quoted market prices.

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash held on behalf of customers

From the Group's ordinary business in provision of brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognised the corresponding accounts payable to respective clients. As at 31 December 2023, the segregated accounts with authorized institutions in relation to its brokerage business totaling HK$254,016,000 (2022: HK$216,486,000).

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and bank deposits at variable interest rates with original maturity of three months or less. As at 31 December 2023, cash and cash equivalents with authorized institutions totaling HK$436,102,000 (2022: HK$982,858,000).

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of loss for the year to cash from operations:

	2023 HK$'000	2022 HK$'000
Operating activities		
Loss for the year	**(572,306)**	(436,597)
Adjustments for:		
Income tax expense recognised in profit or loss	**11,320**	5,784
Finance costs	**260,193**	266,109
Bank interest income	**(17,834)**	(3,458)
Interest income from provision of finance and securities margin financing	**(44,817)**	(53,706)
Dividend income and other investment income	**(140,145)**	(243,326)
Interest income from debt securities investments	**(93,770)**	(233,891)
Interest income from FVTPL investments	**(33,863)**	(61,622)
Impairment loss recognised in respect of accounts receivable	**39,033**	62,312
Impairment loss recognised in respect of loans and advances	**89,954**	88,368
Impairment loss recognised in respect of financial assets at FVOCI	**197,569**	332,497
Provision/(reversal) of Impairment loss recognised in respect of financial assets at amortised cost	**23**	(181)
Impairment loss recognised in respect of interest receivables	**3,371**	23,797
Net losses on financial assets/liabilities at FVTPL	**210,476**	235,421
Net losses on financial assets at FVOCI	**127,673**	46,674
Net gains on financial assets at amortised cost	**–**	(20)
Depreciation of property, plant and equipment	**3,341**	3,017
Depreciation of right-of-use asset	**19,207**	19,207
Operating cash flows before movements in working capital	**59,425**	50,385

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of loss for the year to cash from operations: (continued)

	2023 HK$'000	2022 HK$'000
Operating activities (Continued)		
Decrease/(increase) in accounts receivable	**77,029**	(46,062)
Decrease in prepayments, deposits and other receivables	**54,783**	314,119
Decrease in loans and advances	**302,768**	320,504
Decrease in interest receivables	**80,979**	129,128
Increase in other assets	**(6,108)**	(4,684)
Decrease in amount due from an intermediate holding company	**–**	13,752
(Increase)/decrease in cash held on behalf of customers	**(37,530)**	363,602
Increase/(decrease) in accounts payable	**25,555**	(379,153)
Decrease in other payables and accruals	**(34,104)**	(82,990)
(Decrease)/increase in amount due to an intermediate holding company	**(22,595)**	55,459
(Increase)/decrease in financial assets at amortised cost	**(15,761)**	62,794
Decrease in financial assets at fair value through other comprehensive income	**3,706,504**	2,652,425
Decrease/(increase) in financial assets at fair value through profit or loss	**1,158,152**	(1,060,725)
Decrease in financial assets sold under repurchase agreements	**(2,930,293)**	(2,003,267)
(Decrease)/increase in financial liabilities at FVTPL	**(11,765)**	6,949
Cash from operations	**2,407,039**	392,236

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(d) Reconciliation of liabilities arising from financing activities

	Loans from an intermediate holding company HK$'000 (Note 30)	Lease Liabilities HK$'000 (Note 17)	Total HK$'000
At 1 January 2023	4,710,620	78,760	4,789,380
Changes from financing cash flows:			
Proceeds from loans from an intermediate holding company	1,284,486	–	1,284,486
Repayment of loans from an intermediate holding company	(4,158,776)	–	(4,158,776)
Principal and interest elements of lease payments	–	(22,534)	(22,534)
Total changes from financing cash flows	(2,874,290)	(22,534)	(2,896,824)
Exchange adjustments	14,095	–	14,095
Other changes	(21,415)	2,402	(19,013)
At 31 December 2023	1,829,010	58,628	1,887,638

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(d) Reconciliation of liabilities arising from financing activities (continued)

	Loans from an intermediate holding company HK$'000 (Note 30)	Notes payable HK$'000 (Note 31)	Lease Liabilities HK$'000 (Note 17)	Total HK$'000
At 1 January 2022	3,697,591	1,139,938	96,526	4,934,055
Changes from financing cash flows:				
Proceeds from loans from an intermediate holding company	3,592,291	–	–	3,592,291
Repayment of loans from an intermediate holding company	(2,608,595)	–	–	(2,608,595)
Repayment of notes	–	(1,130,765)	–	(1,130,765)
Principal and interest elements of lease payments	–	–	(20,801)	(20,801)
Total changes from financing cash flows	983,696	(1,130,765)	(20,801)	(167,870)
Exchange adjustments	11,438	258	–	11,696
Other changes	17,895	(9,431)	3,035	11,499
At 31 December 2022	4,710,620	–	78,760	4,789,380

28 ACCOUNTS PAYABLE

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	**174,028**	227,276
– Margin clients	**39,056**	29,221
– Clearing house	**68,378**	4,878
– Broker	**5,468**	–
	286,930	261,375

Accounts payable arising from the business of dealing in securities

The accounts payable balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No ageing analysis is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

29 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Other payables	**8,434***	37,052*
Interest payables	**9,238**	53,517
Accruals	**26,683**	32,310
Receipt in advance	**141**	–
	44,496	122,879

* Included in the amount of other payables, HK$31.4 million were the payables arising from securities trading as at 31 December 2022, which had been subsequently settled shortly after the year-end. There was no payables arising from securities trading as at 31 December 2023.

30 LOANS FROM AN INTERMEDIATE HOLDING COMPANY

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Loans from an intermediate holding company	**1,829,010**	4,710,620
The carrying amounts of the above borrowings are repayable:		
Within one year	**1,829,010**	4,710,620

As at 31 December 2023, the Group had loans amounting to approximately HK$1,789,316,000 (2022: HK$4,649,706,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK$39,694,000 (2022: HK$60,914,000). The loans are unsecured, bear interest at rate of 4% per annum (2022: interest rate of 2.5% per annum) and are repayable within one year. The Group's undrawn amount of the loan facilities is approximately HK$8,210,684,000 (2022: HK$5,350,294,000).

31 NOTES PAYABLE

In 2021, the Company's subsidiary issued notes in the aggregate principal amount of US$195,000,000 to independent third parties, of which an aggregate principal amount of US$50,000,000 was redeemed. The notes carry variable interest at 1% to 1.8% per annum and were to be redeemed within one year. During the year ended 31 December 2022, the aggregate note principals of US$145,000,000 were fully redeemed.

As at 31 December 2023 and 2022, there were no outstanding principal amount of the notes payable.

The movement of the notes payable for the years ended 31 December 2023 and 2022 are set out below:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
At the beginning of the year	–	1,139,938
Interest charged (note 9)	–	8,944
Repayment of note principal	–	(1,130,765)
Interest paid	–	(18,375)
Exchange realignment	–	258
At the end of the year	–	–

32 DEFERRED TAX

The followings are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Deferred tax assets	Deferred tax liabilities
	Impairment provision HK$'000	Unrealised gain on financial assets at FVTPL HK$'000
At 1 January 2022	(2,035)	36,712
Charged/(credited) to profit or loss (note 13)	2,035	(17,943)
At 31 December 2022	**–**	**18,769**
Credited to profit or loss (note 13)	**–**	**(8,507)**
At 31 December 2023	**–**	**10,262**

At the end of the reporting period, the Group has unused tax losses of approximately HK$1,488 million (2022: HK$741 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

33 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Bonds	**1,044,658**	3,974,951

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 other comprehensive income and financial assets at fair value through profit or loss with carrying amount of approximately HK$1,340,649,000 (2022: approximately HK$4,912,061,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

Sales and repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase them (or assets that are substantially the same) at the agreed dates and prices. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. The bonds are not derecognised from the financial statements but regarded as "collaterals" for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	**–**	1,362
Debt investments	**–**	13,509
	–	14,871

As at 31 December 2023, the Company held 0% (31 December 2022: 66.6%) interest of CMBCC Co-High Medical Investment Fund SP (the "**Medical Fund**"). As the Group had control over the Medical Fund, it was accounted for as a subsidiary. Accordingly, the interests of the non-controlling shareholder were classified as financial liabilities designated as at fair value through profit or loss of Nil as at 31 December 2023 (31 December 2022: HK$1,362,000). During the year ended 31 December 2023, all the participating shares in the Medical Fund were redeemed and the Medical Fund was terminated.

The balance of debt investments as at 31 December 2022 represents the fair value of debt securities from short-selling activities.

35 SHARE CAPITAL

	Note	Number of shares		Amount	
		As at 31 December 2023 '000	As at 31 December 2022 '000	**As at 31 December 2023 HK$'000**	As at 31 December 2022 HK$'000
Authorised:					
Ordinary shares at HK$0.4 each		**2,500,000**	2,500,000	**1,000,000**	1,000,000
Issued and fully paid:					
At the beginning of the year		**1,123,665**	1,174,467	**449,466**	469,786
Cancellation for shares repurchased	(i)	**(4,303)**	(50,802)	**(1,721)**	(20,320)
At the end of the year		**1,119,362**	1,123,665	**447,745**	449,466

Note:

(i) During the year ended 31 December 2023, the Company repurchased an aggregate of 12,961,000 ordinary shares of the Company on market at prices ranging from HK$0.27 to HK$1.70 with a total consideration of approximately HK$9,245,000 (before transaction costs). Of these repurchased shares, 3,498,000 shares were cancelled during the year ended 31 December 2023. The premium of approximately HK$4,175,000 paid on the repurchase of shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 9,463,000 repurchased shares were cancelled on 22 March 2024.

During the year ended 31 December 2022, the Company repurchased an aggregate of 48,906,500 ordinary shares of the Company on market at prices ranging from HK$1.07 to HK$3.91 with a total consideration of approximately HK$98,050,000 (before transaction costs). Of these repurchased shares, 48,101,500 shares were cancelled during the year ended 31 December 2022. The premium of approximately HK$84,792,000 paid on the repurchase of shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 805,000 repurchased shares were cancelled on 28 February 2023.

36 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debts, which include loans from an intermediate holding company, financial assets sold under repurchase agreements and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including loans from an intermediate holding company and financial assets sold under repurchase agreements. Based on the recommendation of the directors of the Company, the Group will balance its overall capital structure through raising or repayment of borrowings.

CMBC Securities Company Limited, CMBC International Futures Company Limited, CMBC Asset Management Company Limited and CMBC International Capital Limited are registered by the Hong Kong Securities and Futures Commission (the "**SFC**") and are subject to the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "**SF(FR)R**") adopted by the SFC. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increase in the level of business activities.

36 CAPITAL RISK MANAGEMENT (continued)

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total debt divided by capital and total debt. During the years ended 31 December 2023 and 2022, the Group's strategy was to maintain a reasonable gearing ratio and a balance between higher shareholder returns with higher levels of borrowings and solid capital position, and make adjustment to capital structure in light of changes in economic conditions. The gearing ratio at 31 December 2023 and 2022 were as follows:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Loans from an intermediate holding company	**1,789,316**	4,649,706
Financial assets sold under repurchase agreements	**1,044,658**	3,974,951
Total debt	**2,833,974**	8,624,657
Equity attributable to owners of the Company	**1,252,702**	1,599,358
Capital and total debt	**4,086,676**	10,224,015
Gearing ratio	**0.69**	0.84

Gearing ratio of the Group decreased as the scale of investment downsized and this led to the corresponding decrease in Group's liabilities during the year ended 31 December 2023.

37 FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Financial assets		
At fair value through profit or loss	1,250,948	2,616,079
Loans and advances	55,137	439,888
Financial assets at amortised cost	15,740	–
Accounts receivable	104,826	212,831
Deposits and other receivables	8,874	67,888
Interest receivables	42,682	116,551
Cash held on behalf of customers	254,016	216,486
Cash and cash equivalents	436,102	982,858
At amortised cost	917,377	2,036,502
At fair value through other comprehensive income	2,269,818	6,058,401
Financial Liabilities		
At amortised cost	3,269,762	9,171,734
At fair value through profit or loss	–	14,871

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through other comprehensive income, accounts receivable, deposits and other receivables, interest receivables, financial assets at amortised cost, loans and advances, financial assets at fair value through profit or loss, cash held on behalf of customers, cash and cash equivalents, amount due to an intermediate holding company, accounts payable, other payables, loans from an intermediate holding company, financial assets sold under repurchase agreements, lease liabilities and financial liabilities at fair value through profit or loss. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Group's credit risk is primarily attributable to accounts receivable, other receivables, interest receivables, financial assets at fair value through profit or loss, financial assets at amortised cost, financial assets at fair value through other comprehensive income, loans and advances and bank balances as at 31 December 2023 and 31 December 2022.

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 December 2023 and 31 December 2022 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. For details relating to credit losses and impairment of financial assets, please refer to Note 2(s).

In order to manage the credit risk in the accounts receivable due from clients arising from businesses of dealing in securities, individual credit evaluation is performed on all clients including cash and margin clients. Accounts receivable from cash clients generally settled in two days after trade date, credit risk arising from the accounts receivable due from cash clients is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

In respect of accounts receivable from clearing houses arising from businesses of dealing in securities and futures and options contracts, credit risks are considered low as the Group normally enters into transactions with clearing houses or agents which are registered with regulatory bodies. For accounts receivable arising from the ordinary course of business of asset management services, credit risks are considered to be minimal with exposures limited to related parties and reputable counterparties.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong. As at 31 December 2023, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 35% (2022: 28%) of the total accounts receivable from cash and margin clients and the three largest clients represent 35%, 20% and 16% (2022: 28%, 22% and 15%) respectively, of the accounts receivable from cash and margin clients. Besides, approximately 97% of the accounts receivable from the ordinary course of business of asset management services represent the accounts receivable from an intermediate holding company and segregated portfolios invested by an intermediate holding company.

Other than concentration of credit risk on accounts receivable, the Group has no other significant concentration risk.

The Company manages credit risk of loans and advances by obtaining collaterals, guarantees or keepwell and liquidity deed from the borrowers. For loans and advances, the management, the risk management department and relevant business units will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability prior to entering into a transaction. The Group assesses the credit profile of each individual debtor by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. In the post-investment stage, the financial conditions of the borrower or the guarantors will be reviewed on a regular basis.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

For the Group's investments in listed bonds investments, the management, the risk management department and respective business units of the Group assess the financial performance and relevant business environment of the issuers to ensure that the issuers can satisfy the repayment of the principal and interest as they fall due. The Group has set portfolio size and single issuer limits to control the Group's exposure to the credit risk. The Group also monitors the credit ratings and market news of the issuers of respective bond investments for any indication of potential credit deterioration.

For the other financial assets, the management has closely monitored their status and it believes that the Group's credit risk exposure on them is minimal.

(b) Liquidity risk

The Group manages liquidity risk by maintaining sufficient bank balances and cash and the availability of funding through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed facilities and other external financing available.

The Group's primary cash requirements have been driven by operations, investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and cash reserve.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

The following tables detail the Group's liquidity analysis for its nonderivative financial liabilities. The tables have been drawn up based on the undiscounted contractual cash outflows on the financial liabilities. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2023							
Accounts payable	–	286,930	–	–	–	286,930	286,930
Other payables	–	8,434	–	–	–	8,434	8,434
Interest payables	–	9,238	–	–	–	9,238	9,238
Loans from an intermediate holding company	4%	–	–	1,871,169	–	1,871,169	1,829,010
Amount due to an intermediate holding company	–	32,864	–	–	–	32,864	32,864
Financial assets sold under repurchase agreements	4.5%–5.7%	1,007,608	–	37,050	–	1,044,658	1,044,658
Lease liabilities	3.5%	–	3,467	15,716	42,526	61,709	58,628
		1,345,074	3,467	1,923,935	42,526	3,315,002	3,269,762

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2022							
Accounts payable	–	261,375	–	–	–	261,375	261,375
Other payables	–	37,052	–	–	–	37,052	37,052
Interest payables	–	53,517	–	–	–	53,517	53,517
Loans from an intermediate holding company	2.5%	–	–	4,778,773	–	4,778,773	4,710,620
Amount due to an intermediate holding company	–	55,459	–	–	–	55,459	55,459
Financial assets sold under repurchase agreements	0.7%–5.5%	2,578,213	1,396,738	–	–	3,974,951	3,974,951
Lease liabilities	3.5%	1,733	3,467	15,601	63,442	84,243	78,760
		2,987,349	1,400,205	4,794,374	63,442	9,245,370	9,171,734

(c) Interest rate risk

(i) Cash flow interest rate risk

The Group's cash flow interest rate risk arises primarily from variable rate financial assets and liabilities.

The Group's exposure to changes in interest rates primarily relates to its certain variable rate accounts receivable arising from the business dealing in securities, loans and advances, financial assets at fair value through other comprehensive income, bank balances and financial assets sold under repurchase agreements. The management monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and bank deposits where necessary.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(c) Interest rate risk (continued)

(i) Cash flow interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for certain variable rate accounts receivable arising from the business dealing in securities, loans and advances, financial assets at fair value through other comprehensive income, bank balances and financial assets sold under repurchase agreements at the end of the reporting period. The analysis is prepared assuming these balances outstanding at the end of the reporting period were held/outstanding for the whole year. A 50 basis points (2022: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2023 would increase by HK$2,069,000 or decrease by HK$3,768,000 (2022: loss for the year would increase by HK$12,140,000 or decrease by HK$15,107,000).

(ii) Fair value interest rate risk

The Group's fair value interest rate risk arises primarily from financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss at the end of the reporting period. The analysis is prepared assuming these balances outstanding at the end of the reporting period were held/outstanding for the whole year. A 50 basis points (2022: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(c) Interest rate risk (continued)

(ii) Fair value interest rate risk (continued)

Sensitivity analysis *(continued)*
If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2023 would increase or decrease by HK$5,739,000 (2022: loss for the year would increase or decrease by HK$5,947,000), and the Group's other comprehensive income for the year ended 31 December 2023 would decrease or increase by HK$19,922,000 (2022: other comprehensive loss for the year would increase or decrease by HK$36,604,000).

(d) Other market risks

(i) Currency risk

The Group's currency risk arises principally from commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entities.

The majority of the Group's assets and liabilities are denominated in Hong Kong dollars and United States dollars ("USD"). The exposures of other foreign currencies are not material compared to the total assets and liabilities of the Group. As Hong Kong dollars are pegged to USD, in the opinion of the Directors, the Group is not subject to significant currency risk exposure.

(ii) Other price risk

The Group is exposed to other price risk through its investment in financial assets at fair value through profit or loss. The management manages its exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to other price risk arising from investment in financial assets at fair value through profit or loss at the end of the reporting period.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(d) Other market risks (continued)

(ii) Other price risk (continued)

Sensitivity analysis *(continued)*

	As at 31 December 2023		
	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Decrease/ (increase) in loss after tax HK$'000
Financial assets at fair value through profit or loss:			
– Listed equity investments	5%/(5%)	23,066	963/(963)
– Unlisted equity investments	5%/(5%)	200,933	8,043/(8,044)
– Unlisted investment funds	5%/(5%)	643,242	21,164/(21,556)

	As at 31 December 2022		
	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Decrease/ (increase) in loss after tax HK$'000
Financial assets at fair value through profit or loss:			
– Listed equity investments	5%/(5%)	68,207	2,848/(2,848)
– Unlisted equity investments	5%/(5%)	259,277	6,087/(5,918)
– Unlisted investment funds	5%/(5%)	772,478	28,046/(27,916)

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

	Fair value		Fair Value hierarchy	Valuation techniques	Significant unobservable input
	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000			
Financial assets					
Financial assets at fair value through profit or loss					
– Listed equity investments	**19,277**	68,207	Level 1	Quoted market closing prices in an active market	N/A
– Listed equity investments	**3,789**	–	Level 2	Quoted price from broker/ financial institution	N/A
– Debt investments	**383,707**	1,516,117	Level 2	Quoted price from broker/ financial institution	N/A
– Unlisted equity investments	**158,820**	–	Level 2	Quoted price of market comparables	N/A

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value		Fair Value hierarchy	Valuation techniques	Significant unobservable input
	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000			
Financial assets					
Financial assets at fair value through profit or loss					
– Unlisted equity investments	**42,113**	259,277	Level 3	Recent transaction price/Equity allocation model	Discount rate for lack of marketability/Scenario probability/Sales multiples
– Unlisted investment funds	**643,242**	772,478	Level 3	Recent transaction price/Calibration/ Binomial model/Equity allocation model/Net asset value	Discount rate for lack of marketability/ Scenario probability/ Sales multiples/EBITDA multiples/Price-to-sales ratio
Financial assets at fair value through other comprehensive income					
– Debt investments	**873,003**	2,627,111	Level 2	Quoted price from broker/financial institution	N/A
– Debt investments	**50,583**	89,328	Level 3	Discounted cash flow model	Discount rate taking into account the credit risk of the issuer
– Equity investments	**1,328,522**	3,314,100	Level 2	Quoted price from broker/financial institution	N/A
– Equity investments	**17,710**	27,862	Level 1	Quoted market closing prices in an active market	N/A

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value		Fair Value hierarchy	Valuation techniques	Significant unobservable input
	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000			
Financial liabilities					
Financial liabilities at fair value through profit or loss					
– Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	–	1,362	Level 3	Net asset value	N/A
– Debt investments	–	13,509	Level 2	Quoted price from broker/financial institution	N/A

During the year ended 31 December 2023, an equity investment was reclassified from level 3 to level 2 as quoted price for similar assets in active market was available.

During the years ended 31 December 2023 and 2022, there were no other transfer between level 1 and level 2.

During the year ended 31 December 2022, certain debt investments were reclassified from level 2 to level 3 as the management considered that this should better reflect the value of those investments. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2023 HK$'000	2022 HK$'000
Financial assets at fair value through profit or loss		
Unlisted equity investments:		
At 1 January	259,277	413,105
Payment for purchase	–	23,241
Proceed from disposal	–	(88,525)
Transfer from level 3 to level 2	(158,820)	–
Changes in fair value recognised in profit or loss during the year	(58,673)	(88,827)
Exchange gain recognised in profit or loss during the year	329	283
At 31 December	42,113	259,277
Unlisted investment funds:		
At 1 January	772,478	852,198
Payment for purchase	–	42,065
Repayment	–	(76,231)
Changes in fair value recognised in profit or loss during the year	(130,208)	(46,257)
Exchange gain recognised in profit or loss during the year	972	703
At 31 December	643,242	772,478
Total unrealised loss for the year included in profit or loss for assets held at the end of the reporting period	(188,881)	(135,084)

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	2023 HK$'000	2022 HK$'000
Financial assets at fair value through other comprehensive income		
Debt investments:		
At 1 January	89,328	–
Transfer from level 2 to level 3	–	100,762
Change in fair value recognised in other comprehensive loss during the year	(38,745)	(11,434)
At 31 December	50,583	89,328
Financial liabilities at fair value through profit or loss		
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL:		
At 1 January	1,362	244
Proceed from subscription	–	1,060
Redemption	(271)	–
Changes in fair value recognised in profit or loss during the year	(1,091)	58
At 31 December	–	1,362
Total unrealized loss for the year included in profit or loss for liabilities held at the end of the reporting period	–	58

37 FINANCIAL INSTRUMENTS (continued)

Fair value measurements and valuation processes

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market closing prices. The fair value of financial assets that are not traded in active liquid markets are determined using appropriate valuation techniques and inputs. The appropriateness of the valuation techniques and inputs to the fair value measurements are reviewed by the Directors periodically.

Fair value of financial assets and liabilities that are not measured at fair value

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised at amortised cost approximate their fair values, which were determined in accordance with generally accepted pricing models based on undiscounted cash flow analysis, as at 31 December 2023 and 31 December 2022.

38 RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group independently in administered funds under the control of the trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,500 per employee per month since 1 June 2014.

The contributions made by the Group to the MPF Scheme are charged to the consolidated statement of profit or loss and other comprehensive income when employees have rendered service to the Group.

For the years ended 31 December 2023 and 2022, no forfeited contributions were available for utilisation by the Company to reduce the existing level of contributions.

39 SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted by the Company at the annual general meeting of the Company held on 24 September 2012. Unless otherwise cancelled or amended, the Share Option Scheme was valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme was to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme should provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Share Option Scheme include any individual being an employee, officer, agent, consultant or representatives of any member of the Group (including any executive or nonexecutive director of any member of the Group) who, as the Board of Directors might determine in its absolute discretion, had made valuable contribution to the business of the Group based on his/her performance and/or years of service, or was regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors. The offer of a grant of share options might be accepted within thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options was HK$1.00.

The subscription price for the shares on the exercise of options under the Share Option Scheme should be a price determined by the Board of Directors and notified to the relevant participant at the time of grant of the options (subject to any adjustments made pursuant to the Share Option Scheme and the relevant provisions of the Rules Governing the Listing of securities on the Stock Exchange) was made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the share. The exercise period of the share options granted was determinable by the directors but in any event, not longer than ten years from the date of grant.

39 SHARE OPTION SCHEME (continued)

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) should not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit should be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which might be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**") or as at the date of approval of the refreshed Scheme Mandate Limit as the case maybe.

On 23 September 2022, the Share Option Scheme lapsed. No share is available for issue under the Share Option Scheme as at the date of this annual report. There were no outstanding options and grant of options during the period from 1 January 2022 to the date of lapse of the Share Option Scheme. The numbers of options available for grant under the Share Option Scheme as at 1 January 2022 and 31 December 2022 are 114,446,894 and zero respectively.

40 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("**HKSCC**"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients and brokers not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC 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.

40 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 December 2023				
Type of financial assets	**Gross amounts of recognised financial assets after impairment HK$'000**	**Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000**	**Net amounts of financial assets presented in the consolidated statement of financial position HK$'000**	**Related amounts not set off in the consolidated statement of financial position HK$'000**	**Net amount HK$'000**
Accounts receivable arising from the business of dealing in securities brokerage, futures and options dealing services	**124,856**	**(43,493)**	**81,363**	**–**	**81,363**

	At 31 December 2022				
Type of financial assets	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Accounts receivable arising from the business of dealing in securities brokerage, futures and options dealing services	199,100	(74,616)	124,484	–	124,484

40 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 December 2023				
Type of financial liabilities	**Gross amounts of recognised financial liabilities HK$'000**	**Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000**	**Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000**	**Related amounts not set off in the consolidated statement of financial position HK$'000**	**Net amount HK$'000**
Accounts payable arising from the business of dealing in securities brokerage, futures and options dealing services	**330,423**	**(43,493)**	**286,930**	**–**	**286,930**

	At 31 December 2022				
Type of financial liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Accounts payable arising from the business of dealing in securities brokerage, futures and options dealing services	335,991	(74,616)	261,375	–	261,375

41 RELATED PARTY TRANSACTIONS

Compensation to key management personnel of the Group which represents directors of the Company is set out in note 11.

Except for disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions and balances with related parties:

(a) Transactions with related parties

	2023 HK$'000	2022 HK$'000
Interest expense to an intermediate holding company (Note (i))	**116,872**	148,864
Interest income from a branch of the ultimate holding company	**2,476**	791
Distribution fee to a branch of the ultimate holding company (Note (ii))	**–**	52
Asset management fee and investment advisory services fee income from an intermediate holding company and segregated portfolios invested by an intermediate holding company and the ultimate holding company (Note (iii))	**116,453**	147,077
Performance fee income from a segregated portfolio invested by an intermediate holding company (Note (iii))	**2,267**	12,692
Office sharing fee income from an intermediate holding company	**8,880**	8,880

41 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) During the years, an intermediate holding company provided loans in aggregate amount of approximately HK$1,789,316,000 (2022: HK$4,649,706,000) to the Group. The loans bear annual interest rate of 4% (2022: 2.5%) and repayable within one year (2022: within one year) from the drawdown date. Interest payables of approximately HK$39,694,000 (2022: HK$60,914,000) are accrued from these loans during the year.

(ii) During the year ended 31 December 2022, the Company incurred distribution fee for the distribution services provided by a branch of the ultimate holding company.

(iii) During the years, the Group earned asset management fee and investment advisory services fee income for services provided to an intermediate holding company and segregated portfolios invested by an intermediate holding company and the ultimate holding company, and earned performance fee income for the asset management services provided to a segregated portfolio invested by an intermediate holding company.

All related party transactions referred to in Note 41(a) constitute connected transactions or continuing connected transactions defined in Chapter 14A of the Listing Rules ("**Chapter 14A**"). The Company has complied with the provisions of Chapter 14A for the years ended 31 December 2023 and 2022.

(b) Balances with related parties

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Amount due to an intermediate holding company	**32,864**	55,459
Loans from an intermediate holding company	**1,829,010**	4,710,620
Bank balances at a branch of the ultimate holding company		
– House accounts	**48,029**	51,977
– Segregated accounts	**48,376**	196,004
Accounts receivable from an intermediate holding company	**18,072**	69,950
Accounts receivable from segregated portfolio invested by an intermediate holding company and the ultimate holding company	**734**	17,398
Accounts payable to the immediate holding company	**2,937**	2,937
Accounts payable to an intermediate holding company	**49,792**	92,881
Accounts payable to segregated portfolio invested by an intermediate holding company	**–**	3,402

41 RELATED PARTY TRANSACTIONS (continued)

(c) Service agreement with related party

On 31 May 2019, the Company entered into the office sharing agreement with CMBCI, pursuant to which the Company agreed to grant CMBCI the non-exclusive right to use certain area of the office space in consideration of the sharing fees payable by CMBCI. On 31 December 2019 and 9 December 2022, the Company entered into the renewed office sharing agreements with CMBCI to renew the existing office sharing agreement.

On 16 December 2021, the Company (for itself and on behalf of other members of the Group) entered into the service agreement with China Minsheng (for itself and on behalf of other members of China Minsheng Group), pursuant to which, (i) China Minsheng Group agreed to provide China Minsheng underwriting referral services to the Group and the Group agreed to provide China Minsheng subscription referral services to China Minsheng Group; (ii) the Group agreed to provide asset management services, investment advisory service and ancillary services to the China Minsheng Group, its associates or any third parties who are deemed to be connected with the Company under Rule 14A.20 of the Listing Rules and China Minsheng Group agreed to provide the distribution services to the Group; (iii) the Group agreed to provide the underwriting services to China Minsheng Group; (iv) China Minsheng Group agreed to provide the custodian services to the Group; and (v) China Minsheng Group agreed to provide the deposit services to the Group. The service agreement and the transactions contemplated thereunder, and the proposed annual caps were approved at the special general meeting on 12 January 2022.

During the year ended 31 December 2023, transactions relating to provision of asset management and investment advisory services, provision of deposit services and office sharing (2022: transactions relating to provision of distribution services, provision of asset management and investment advisory services, provision of deposit services and office sharing) were listed in note 41(a).

42 DETAILS OF SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are set out below:

Name	Place of Incorporation and operations	Paid-up registered capital	Proportion of ownership interest held by the Company				Principal activities
			Direct		Indirect		
			As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022	
CMBC Securities Company Limited	Hong Kong	Ordinary HK$1,050,000,000	100%	100%	–	–	Provision of brokerage services and securities margin financing services
CMBC International Futures Company Limited	Hong Kong	Ordinary HK$10,000,000	100%	100%	–	–	Provision of futures and options dealing services
CMBC Asset Management Company Limited	Hong Kong	Ordinary HK$12,000,000	100%	100%	–	–	Provision of asset management services
CMBC International Capital Limited	Hong Kong	Ordinary HK$30,000,000	100%	100%	–	–	Advisory and corporate financing
CMBC Capital Finance Limited	Hong Kong	Ordinary HK$1	100%	100%	–	–	Provision of loan financing services
CMBC Investment (HK) Limited	Hong Kong	Ordinary HK$10,000,000	100%	100%	–	–	Investment holding
Cap Port Holding Limited	British Virgin Islands	Ordinary US$100	–	–	100%	100%	Investment holding
Cap FH Holding Limited	British Virgin Islands	Ordinary US$1	–	–	100%	100%	Investment holding
YBX Company Limited	Hong Kong	Ordinary HK$1	–	–	100%	100%	Investment holding
Cap Success Holding Limited	British Virgin Islands	Ordinary US$1	–	–	100%	100%	Investment holding
CMBCC Co-High Medical Investment Fund SP	Cayman Islands	NA	–	66.6%	–	–	Investment holding
CMBCC Investment Fund SPC-CMBCC Special Opportunities Fund SP8	Cayman Islands	N/A	–	–	100%	100%	Investment holding

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

43 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Unlisted investment funds	26	**643,242**	772,478

The Group has concluded that the unlisted investment funds in which it invests, but that it does not consolidate meet the definition of structured entities because:

– the voting rights in the funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;

– each fund's activities are restricted by its articles of associations; and/or

– the funds have narrow and well defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Unlisted investment funds	To manage assets on behalf of third party investors	Acting as limited partner

43 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

The table below sets out interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

	31 December 2023	
	Number of investment funds	**Carrying amount included in financial assets at fair value through profit or loss HK$'000**
Unlisted investment funds	**7**	**643,242**

	31 December 2022	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK$'000
Unlisted investment funds	7	772,478

During the years ended 31 December 2023 and 2022, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

44 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current assets		
Property, plant and equipment	**5,141**	4,890
Right-of-use asset	**56,021**	75,228
Investment in subsidiaries	**1,205,966**	1,195,966
Rental deposit	**6,036**	6,036
	1,273,164	1,282,120
Current assets		
Prepayments, deposits and other receivables	**3,491**	2,203
Financial assets at fair value through profit or loss	**127,823**	131,002
Amounts due from subsidiaries	**3,367,740**	5,996,389
Tax recoverable	**9,871**	7,247
Cash and cash equivalents	**82,423**	107,261
	3,591,348	6,244,102
Current liabilities		
Other payables and accruals	**17,528**	27,290
Loans from an intermediate holding company	**1,829,010**	4,710,620
Amounts due to subsidiaries	**1,660,533**	1,377,552
Amount due to an intermediate holding company	**32,864**	55,459
Lease liabilities	**19,183**	20,801
	3,559,118	6,191,722
Net current assets	**32,230**	52,380
Total assets less current liabilities	**1,305,394**	1,334,500

44 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current liability		
Lease liabilities	**39,445**	57,959
Net assets	**1,265,949**	1,276,541
Capital and reserves		
Share capital	**447,745**	449,466
Reserves	**818,204**	827,075
Total equity	**1,265,949**	1,276,541

	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	1,699,135	1,909,183	(8,225)	(2,595,698)	1,004,395
Loss for the year and total comprehensive loss for the year	–	–	–	(14,152)	(14,152)
Shares repurchased and cancelled	(84,792)	–	8,225	–	(76,567)
Shares repurchased but not yet cancelled	–	–	(1,163)	–	(1,163)
Dividend approved in respect of the previous year	–	(85,438)	–	–	(85,438)
At 31 December 2022 and 1 January 2023	**1,614,343**	**1,823,745**	**(1,163)**	**(2,609,850)**	**827,075**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**(1,347)**	**(1,347)**
Shares repurchased and cancelled	**(4,175)**	**–**	**1,163**	**–**	**(3,012)**
Shares repurchased but not yet cancelled	**–**	**–**	**(4,512)**	**–**	**(4,512)**
At 31 December 2023	**1,610,168**	**1,823,745**	**(4,512)**	**(2,611,197)**	**818,204**

Financial Summary

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULT					
Continuing operations					
Revenue	**493,894**	801,981	895,376	1,019,185	978,683
(Loss)/profit before taxation	**(560,986)**	(430,813)	293,765	485,180	425,240
Taxation	**(11,320)**	(5,784)	(2,609)	(91,960)	(68,377)
(Loss)/profit for the year	**(572,306)**	(436,597)	291,156	393,220	356,863
(Loss)/profit attributable to owners of the Company	**(572,306)**	(436,597)	291,156	393,220	356,863

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**4,559,550**	10,849,997	14,535,311	11,165,199	11,639,816
Total liabilities	**(3,306,848)**	(9,250,639)	(11,779,614)	(8,565,231)	(9,417,573)
	1,252,702	1,599,358	2,755,697	2,599,968	2,222,243
Equity attributable to owners of the Company	**1,252,702**	1,599,358	2,755,697	2,599,968	2,222,243