西證國際
SOUTHWEST SECURITIES

Southwest Securities International Securities Limited
西證國際證券股份有限公司*

(Incorporated in Bermuda with limited liability)
（於百慕達註冊成立之有限公司）
Stock Code **股份代號**：812

2023
ANNUAL REPORT
年報

* For identification purpose only
僅供識別

ANNUAL REPORT

2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. HUANG Changsheng *(Chief Executive Officer)*
(appointed as Chief Executive Officer on 24 November 2023)
Mr. ZHANG Hongwei *(resigned on 14 March 2024)*

Independent Non-executive Directors
Mr. MENG Gaoyuan
Mr. LIANG Jilin
Mr. CAO Ping

AUDIT COMMITTEE

Mr. MENG Gaoyuan *(Chairman)*
Mr. LIANG Jilin
Mr. CAO Ping

REMUNERATION COMMITTEE

Mr. CAO Ping *(Chairman)*
Mr. Huang Changsheng *(appointed on 14 March 2024)*
Mr. MENG Gaoyuan
Mr. LIANG Jilin
Mr. ZHANG Hongwei *(resigned on 14 March 2024)*

NOMINATION COMMITTEE

Mr. LIANG Jilin *(Chairman)*
Mr. Huang Changsheng *(appointed on 14 March 2024)*
Mr. MENG Gaoyuan
Mr. CAO Ping
Mr. ZHANG Hongwei *(resigned on 14 March 2024)*

AUTHORISED REPRESENTATIVES

Mr. HUANG Changsheng
Ms. LI Peihua

COMPANY SECRETARY

Ms. LI Peihua

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F, One Hysan Avenue
Causeway Bay
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR

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

CORPORATE INFORMATION

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung Solicitors

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

LISTING INFORMATION`

Equity securities listed on The Stock Exchange of Hong Kong Limited
Ordinary Shares
Stock Code: 812.HK

Debt securities previously listed on The Stock Exchange of Hong Kong Limited
US$178,000,000, 4.0% guaranteed bonds due 2024
Former Bond Stock Code: 40594.HK

WEBSITE

www.swsc.hk

BOARD OF DIRECTORS' STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Southwest Securities International Securities Limited (hereinafter referred to as the "**Company**" or "**SWSI**", together with its subsidiaries hereinafter referred to as the "**Group**"), I hereby present the annual report and audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 (the "**Year**").

In 2023, the global economy experienced a gradual and steady recovery from the haze of the COVID-19 pandemic while global inflation gradually eased on the back of continued interest rate hikes by the United States Federal Reserve (the "**Fed**") and other overseas central banks. Although geopolitical conflicts remained frequent, with the Russia-Ukraine war still unresolved after more than two years and the Israeli-Palestinian conflict continuing since October 2023, international financial markets were steadily growing in general, with the U.S. stock market, Japanese stock market and other major markets reaching all-time highs.

2023 was the year of China's post-epidemic recovery. However, the scarring effect of the pandemic still persisted, with a lack of confidence among businesses and residents, and a relatively weak macroeconomic recovery. In particular, declining population growth and the real estate issues became major concerns. China's CPI rose 0.2% year-on-year in 2023. Despite a series of stimulus measures by the government such as lowering the down payment ratio, relaxing the home purchase restriction and lowering the mortgage interest rate, the decline in real estate sales continued, with the area of commercial properties sold declining 8.5% year-on-year in 2023. Overall, with the support of the central government's proactive fiscal and monetary policies, the Chinese economy still achieved solid growth. In 2023, China's gross domestic product (GDP) grew by 5.2% year-on-year, which was slightly better than the growth target of around 5% and increased by 2.2 percentage points compared with that of the previous year.

Hong Kong resumed normal travel with the world, including Mainland China, in 2023 and realised economic growth, with an annual GDP growth of 3.2% year-on-year. Hong Kong's economy continued to rebound and improve, with the unemployment rate falling steadily to below 3%, highlighting the resilience of its economic development.

In terms of capital markets, China's A-share and Hong Kong stock markets continued their downward trend, mainly due to capital outflows as a result of higher overseas interest rates and localised geopolitical frictions. The Hang Seng Index closed at 17,047 points at the end of 2023, down 13.8% from the end of 2022, marking the fourth consecutive year of decline and at its lowest level in nearly a decade.

The Fed's interest rate hikes have come to an end, as it is expected in the market that the Fed may begin to cut interest rates in the second half of 2024, which will lead to a more favourable interest rate environment in the global capital markets. By then, China's monetary policy implementation will be more flexible. In order to support the development of the real economy, the Central Bank of China announced on 20 February 2024 that it will lower the 5-year or above Loan Prime Rate (LPR) by 25 basis points to 3.95%. Also, it is expected that China's growth stabilising policy will be further formulated in the future. Along with the improvement in the economy of Mainland China, Hong Kong's economy is also expected to maintain ongoing and steady growth. At the same time, however, political risks should not be overlooked, especially in 2024, the election year of the United States. In addition, the international political situation has become even more severe and complex, with both ongoing Russia-Ukraine war and the Israeli-Palestinian conflict, as well as the Taiwan Strait region tense. As a result, the uncertainty brought by geopolitics is still an important factor affecting the global economic recovery and the capital market.

BOARD OF DIRECTORS' STATEMENT

During the Year, the total assets of the Group amounted to approximately HK$710 million and the net liabilities amounted to approximately HK$37 million. The Group recorded net losses of approximately HK$16 million during the Year, representing a decrease in losses of approximately HK$225 million for the same period in 2022, due to the increase in net gains from proprietary trading of approximately HK$141 million, the decrease in finance costs of approximately HK$26 million and the decrease in staff costs of approximately HK$17 million.

Looking forward to the future, Hong Kong, leveraging on its unique advantage of its proximity to the motherland and strong international connections, will actively integrate itself into the overall national development, proactively play its roles and important functions in the overall national development as set out in the 14th Five-Year Plan, further deepen the Stock Connect mechanism, strengthen its advantages as an international financial centre and enhance the competitiveness of its financial services. However, facing various uncertainties in the global economy, Hong Kong, as a fully open economy, will inevitably encounter certain challenges in the short term. SWSI will continue to strictly control operational risks and conduct compliant operations in accordance with the Group's overall strategic planning. We will develop our advantaged businesses and revitalise its existing assets, so as to seize market opportunities and rise to the challenges.

On behalf of the Board, I would like to extend my sincere gratitude to our clients, business partners and shareholders for their loyalty and strong support to the Group, and to our staff for their dedication and hard work that have driven the Group to move forward with prudence.

Huang Changsheng
Executive Director and Chief Executive Officer
Hong Kong, 22 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Macro Environment

In 2023, the global economy entered a period of returning to normalcy with both opportunities and challenges. Mainland China's economy was in full swing, and demand rose as the global economy resumed growth. Meanwhile, the restructuring of the global supply chain, coupled with the continued interest rate hikes by central banks in the U.S. and Europe, has had a negative impact on some developing countries whose economic cycles are opposite to those of the U.S. and Europe. Global stock markets were generally positive, with the U.S. and Japanese ones performing particularly well, but China and Hong Kong stock markets were weak. Despite continued interest rate hikes, the U.S. dollar index had a series of ups and downs and ended the Year lower, the yen continued to depreciate, and on the contrary, gold rose amid fluctuations, even hitting a record high.

In 2023, the Chinese government implemented a series of proactive macroeconomic policies to revive the economy out of the shadow of the three-year pandemic and achieve resilient growth. In terms of fiscal policy, governments at all levels have increased tax incentives to maintain a stable supply chain. In terms of monetary policy, more attention was paid to cross-cycle and counter-cyclical adjustments, with a 50-point cut in the deposit reserve ratio during the Year to promote market vitality. China's economy grew by 5.2% in 2023, slightly better than the growth target of around 5%. Looking ahead, although the downturn pressure on the economy still exists, the basic trend of long-term economic improvement remains unchanged.

As a global financial centre, Hong Kong is gradually returning to normal after the impact of the pandemic and the volatility of the global markets over the past few years. During the Year, the Hong Kong Government has launched the "Happy Hong Kong" and "Hong Kong Nights Vibes" local campaigns, and the "Tell Good Stories of Hong Kong" campaign overseas, as well as a series of measures to "attract talents". The Hong Kong Stock Exchange launched a series of reforms in 2023, allowing specialised technology companies to apply for listing in Hong Kong, introducing the "Hong Kong Dollar-Renminbi Dual Counter", with the GEM reforms taking effect in January 2024, and introducing measures such as streamlining the board transfer mechanism. Additionally, Hong Kong vigorously promoted the development of the twin engines of innovation and finance in 2023, including measures to attract key innovation and technology enterprises to set up their operations in Hong Kong, strengthen cooperation with new markets in areas such as the Middle East and the ASEAN region, and deepen interconnections with the Mainland China's financial markets. Leveraging on the strengths of the robust capital market and the various regulatory reforms and enhancements, Hong Kong's financial markets will continue to remain vibrant.

Hong Kong Stock Market

At the beginning of 2023, the Hang Seng Index recorded a yearly high of 22,700 points during the trading session at the end of January, up nearly 15% from the end of 2022, driven by expectations that the economic outlook will improve significantly. The Hang Seng Index fell by only 4.4% in the first half of the Year, despite negative impact from heightened geopolitical risks and the weakening of the Renminbi, partially hedged by the positive factors of the resolution of the debt ceiling issue in the U.S. and the expectation that the Fed would pause in its interest rate hikes. In July, the meeting of the Political Bureau of the Central Committee greatly boosted market confidence in China's economy, with the Hang Seng Index rising by more than 6% in just a month. However, a renewed property crisis in August dragged the Hang Seng Index down by nearly 8.5% in a month. At the end of October, the Hang Seng Index was still down by about 6.9% from the end of August while remaining broadly stable in the following 2 months, but it recorded a yearly low of 15,972 points in the mid-December trading session. The Hang Seng Index ended 2023 at 17,047 points, down 13.8% for the Year; the HSCEI closed at 5,768 points at the end of December 2023, down 14.0% from the end of 2022; and the Hang Seng TECH Index closed at 3,764 points at the end of December 2023, down 8.8% from the end of 2022. Meanwhile, investment and financing activities were relatively quiet due to the cautious global markets and uncertainties surrounding the outlook for interest rates.

BUSINESS REVIEW

The Group's principal businesses are brokerage and margin financing, corporate finance, asset management and proprietary trading. During the Year, the Group recorded a loss before tax of approximately HK$15.9 million *(2022: loss before tax of approximately HK$241.2 million)*, representing a decrease in loss before tax of approximately HK$225.3 million or approximately 93.4% as compared to last year. The following are the items with significant fluctuations:

The Group recorded net gains from proprietary trading turning from deficits to profit during the Year which amounted to approximately HK$25.6 million *(2022: net losses of approximately HK$115.3 million)*.

The Group's finance costs for the Year amounted to approximately HK$31.8 million *(2022: approximately HK$57.6 million)*, representing a decrease of approximately HK$25.8 million or approximately 44.8% as compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Brokerage and Margin Financing

The revenue generated from the Group's brokerage and margin financing business during the Year amounted to approximately HK$0.1 million *(2022: approximately HK$2.3 million)*.

The Group's brokerage and margin financing business includes agency trading of securities, futures and options, and provision of insurance brokerage services, margin financing services, financial products business and one-stop integrated investment and financing services for high-net-worth clients.

In order to enhance cost efficiency, the Group has ceased the direct operation of futures and options business since December 2021 and has suspended the direct operation of brokerage business of "Securities Brokerage and Margin Business Segment" since 20 May 2022. Besides, its insurance brokerage business was discontinued on 20 July 2022, with a view to focusing existing resources on business strengths.

During the Year, the global investment market faced multiple challenges including rising interest rates, high inflation, and slowing economic growth, which, combined with the sluggish market sentiment on trading and investment, caused Hong Kong's Hang Seng Index to fall from 19,781 points at the close of 2022 to 17,047 points at the close of 29 December 2023, representing a decline of nearly 14%. This marked the fourth consecutive year of decline in history. Despite a gradual and slight reduction in market volatility, the persistent market downturn has discouraged investors from entering the market, resulting in an overall decrease in commission income from retail investors for the industry as a whole. The change in the Group's business strategy resulted in a significant drop in revenue from brokerage and margin financing business during the Year as compared to last year.

Corporate Finance

The revenue generated from the Group's corporate finance business during the Year amounted to approximately HK$5.5 million *(2022: approximately HK$11.0 million)*.

The Group's corporate finance business includes sponsor services, underwriting and placement services, financial advisory services to corporate clients, from which the Group recorded a revenue for the Year of approximately HK$5.5 million *(2022: approximately HK$11.0 million)*, representing a decrease of approximately HK$5.5 million or approximately 50.0%. Revenue from sponsor services and underwriting and placement services decreased by approximately HK$2.5 million and HK$2.8 million, respectively, during the Year.

Revenue from sponsor services amounted to approximately HK$3.7 million, representing a year-on-year decrease of approximately HK$2.5 million or approximately 40.3% from that of approximately HK$6.2 million last year. Southwest Securities (HK) Capital Limited, a wholly-owned subsidiary of the Company, acted as the sole sponsor of Sanergy Group Limited for the completion of the listing and offer project in January 2023.

Revenue from underwriting and placement services is mainly derived from the Group's offshore bond issuance business. In 2023, the Group's revenue from underwriting and placing services amounted to approximately HK$1.3 million, representing a year-on-year decrease of approximately HK$2.8 million or approximately 68.3% from that of approximately HK$4.1 million last year, mainly due to the sharp decrease in the total issuance of USD-denominated bonds in 2023 as a result of successive interest rate hikes to the highest point by the Federal Reserve, and a market shift from USD-denominated offshore bonds to RMB-denominated pearl bonds/dim sum bonds. Furthermore, the frequent implementation of policies by offshore bond regulators has led to a decrease in enterprises' willingness to acquire bonds. During the Year, the DCM department has participated in and completed two pearl bonds, both of which were denominated in Renminbi, with Southwest Securities (HK) Brokerage Limited, a wholly-owned subsidiary of the Company, acting as the joint global coordinator (lead underwriter). As of 31 December 2023, the DCM department has a number of bond issues in progress that are expected to be completed in the coming year.

In the future, with the continuous development of the Group's bond business, relying on the extensive client base of the domestic parent company, Southwest Securities Co., Ltd. ("**SWSC**"), the numerous branches and the strong support from the State-owned Assets Supervision and Administration Commission of Chongqing Province, the DCM department will fully utilize the advantages of SWSC and take advantage of the combined domestic and overseas business to further develop the offshore bond issuance business.

Asset Management

The Group's asset management business recorded no revenue *(2022: HK$Nil)*.

The Group's asset management business mainly provides services, including investment management, investment advisory and external asset management services.

During the Year, Southwest Securities (HK) Asset Management Limited ("**SW Asset Management**"), a wholly-owned subsidiary of the Company acted as a fund investment advisor, advising clients on a range of asset classes and other investment products for their portfolios, including funds, bonds, convertible securities, equity securities and real estate. In order to diversify the Group's income sources from asset management business, SW Asset Management has started to develop external asset management services during the Year, which will provide comprehensive portfolio management and wealth management services to professional investors.

The Group's asset management business line actively explored differentiation and development with characteristics, promoted the optimisation of strategies and the transformation of business model, and changed its business positioning. The Group will actively recruit talents to strengthen its management capabilities, expand its distribution channels, invest resources to expand its business coverage and enrich its product range. As the unfavourable macro market factors gradually settle, the business team expects that quality investment opportunities will resurface.

MANAGEMENT DISCUSSION AND ANALYSIS

Proprietary Trading

The Group's proprietary trading business recorded net gains of approximately HK$25.6 million *(2022: net losses of approximately HK$115.3 million)* during the Year.

Despite the macro backdrop of continued interest rate hikes by the Federal Reserve, the Group was able to achieve its expected investment results by continuing its investment strategy since the second half of 2022, strengthening its risk control management, and focusing on high-level fixed income investments. Additionally, the Group sold bonds to lock in profits when their prices recovered.

Other Income and Gains

During the Year, the Group's other income and gains amounted to approximately HK$24.9 million *(2022: approximately HK$8.1 million)*.

The increase in other income and gains during the Year was mainly due to the increase in bank interest income.

Staff Costs

During the Year, the Group's staff costs amounted to approximately HK$25.6 million *(2022: approximately HK$42.6 million)*.

In accordance with the Group's operational and development strategy, each department was staffed with only the necessary manpower, resulting in a corresponding reduction in staff costs. The Group will make flexible adjustments to its staffing levels in alignment with changes in the market business environment and in accordance with the Group's business operation planning and resource deployment as and when appropriate.

Fee and Commission Expenses

The Group's fee and commission expenses during the Year amounted to approximately HK$0.2 million *(2022: approximately HK$3.8 million)*.

Fee and commission expenses mainly include commissions paid for brokerage business, proprietary trading business and corporate finance business transactions. The decrease in commission expenses was mainly attributable to the decrease in trading volume of brokerage business and proprietary trading business.

Finance Costs

The Group's finance costs during the Year amounted to approximately HK$31.8 million *(2022: approximately HK$57.6 million)*.

The finance costs were mainly interest expenses on bonds payable. In February 2021, the Group issued bonds of US$178 million for a term of three years to repay the bonds payable of US$200 million due in mid-April 2021. Last year, the Group completed the repurchase of US$75.5 million USD bonds. During the Year, the Group completed the repurchase of US$10 million USD bonds. Finance costs fell by approximately HK$25.8 million or approximately 44.8%. The details of the repurchase of USD bonds were set out in the announcement of the Company dated 20 April 2023.

FUTURE PROSPECTS

In 2023, Hong Kong's stock market came under pressure due to the Federal Reserve's interest rate hike and geopolitical factors, resulting in the Hang Seng Index falling to a near decade low. Furthermore, Hong Kong's capital market also faced a number of challenges and pressures. Looking back to 2023, the Hong Kong Stock Exchange has launched a series of new initiatives and reforms, including interconnection and interoperability, listing rules reform, and expansion of external exchanges and cooperation, with a view to enhancing the attractiveness of Hong Kong's market to financing enterprises and investors. If the Federal Reserve starts to cut interest rates in the future, the global capital market, including the Hong Kong stock market, will benefit and global currency liquidity will improve. The series of reform measures implemented for the Hong Kong stock market in 2023 will have a positive impact on the market in 2024. The overall improvement of the Hong Kong stock market still hinges on the restoration of investor confidence, market sentiment and the further recovery of the Mainland China economy. To adapt to the market, the Company is currently focusing on controlling risks and reducing costs, actively introducing business teams and strategic investors, gradually adjusting its business structure and realising a comprehensive restructuring, with a view to seizing the opportunity of the market rebound to enhance its profitability and overall competitiveness.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2023, the Group had total cash and bank balances of approximately HK$604.0 million *(2022: approximately HK$378.1 million)*, while net current liabilities amounted to approximately HK$38.0 million *(2022: net current assets approximately HK$774.5 million)*. The current ratio as a ratio of current assets to current liabilities was approximately 0.9 times *(2022: approximately 24.8 times)*. The gearing ratio was approximately (1,948.4)% *(2022: approximately (3,773.5)%)*. Gearing ratio represents the ratio of total borrowings to the total equity of the Group.

During the Year, the Group continued to monitor its capital structure in order to ensure the compliance of the capital requirements under the Securities and Futures (Financial Resources) Rules (Cap. 571N of the Laws of Hong Kong) for its licensed subsidiaries and to support the development of new business. All licensed corporations within the Group complied with their respective liquid capital requirements during the year and up to the date of this report.

Banking Facilities and Charges on Assets

As at 31 December 2023, the Group had no outstanding bank loans *(2022: Nil)* and had an aggregate banking facilities of HK$nil *(2022: HK$80.0 million)*. In the case of certain banking facilities of HK$nil *(2022: HK$80.0 million)*, the drawdown is subject to the market value of the marketable securities pledged and the margin deposits placed. The bank loans are subject to floating interest rates with reference to the costs of funds of the banks. At the end of the Year, the Group did not have any assets pledged for the facilities *(2022: Nil)*.

Material Acquisitions, Disposals and Significant Investments

During the Year, there were no material acquisitions and disposals, nor were there any significant investments *(2022: Nil)*.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2023 *(2022: Nil)*.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

During the Year, the Group had no material capital commitment *(2022: Nil)*.

Exposure to Fluctuations in Exchange Rates and Related Hedges

As at 31 December 2023, the Group had no material exposure to fluctuations in exchange rates *(2022: Nil)*.

EMPLOYEES

As at 31 December 2023, the Group had a total of 33 employees *(as at 31 December 2022: 45 employees)*. The Group regards its employees as an important asset. We continue to improve our human resources management system. We aim to create a good working environment that attracts, identifies and nurtures talent. The Group has built up a series of internal employment policies, covering recruitment, promotion, remuneration, welfare and benefit, management of the equality and diversity. The Group has established clear policies on its employees' remuneration and a comprehensive performance appraisal system. Discretionary performance bonus is paid by making references to market, business results of the Group, departmental and individual's performance. The discretionary performance bonus aims to retain and reward those employees who have contributed to the Group. The Group offers comprehensive employee benefits covering mandatory provident fund scheme, occupational retirement scheme, medical and dental insurance, life and accident insurance and diverse paid leaves.

The Group provides various kinds of on-the-job training, external and internal training programs, including financial and business knowledge, product and operational management, compliance, risk management, etc.. The training programs enrich the employees' professional knowledge and allow employees to have the latest information and technical skills to perform their duties, sustain and enhance their competence.

SIGNIFICANT EVENTS OR TRANSACTIONS DURING AND AFTER THE YEAR

Major Disposals

During the period from 29 September 2023 to 4 October 2023, the Company disposed of, in aggregate, the notes issued by Bi Hai Co., Ltd., a wholly-owned subsidiary of Yunnan Provincial Investment Holdings Group Co., Ltd, in the principal amount of US$3,000,000 at a total consideration (together with the accrued interests) of approximately US$2,809,969 in the open market. Details of the said disposals were disclosed in the Company's announcements dated 4 October 2023 and 5 October 2023 and circular dated 13 November 2023.

On 20 October 2023, the Company disposed of the bonds issued by GF Financial Holdings BVI Ltd., a wholly-owned subsidiary of GF Holdings (Hong Kong) Corporation Limited, in the principal amount of US$2,650,000 at a total consideration (together with the accrued interests) of approximately US$2,531,595 in the open market. Details of the said disposal was disclosed in the Company's announcement dated 24 October 2023 and circular dated 13 November 2023.

On 8 November 2023, the Company disposed of the bonds issued by Central Plaza Development Ltd., a wholly-owned subsidiary of Beijing Capital Land Ltd. (which is a joint stock company incorporated in the PRC with limited liability and whose H shares (former stock code: 2868) were currently delisted on the Main Board of the Stock Exchange), in the principal amount of US$5,500,000 at a total consideration (together with the accrued interests) of approximately US$4,885,161 in the open market. Details of the said disposal was disclosed in the Company's announcement dated 9 November 2023 and circular dated 30 November 2023.

On 10 January 2024, the Company disposed of the notes issued by Industrial and Commercial Bank of China Limited, a joint stock company incorporated in the PRC with limited liability and whose H shares (stock code: 1398) are listed on the Main Board of the Stock Exchange, in the principal amount of US$3,600,000 at a total consideration (together with the accrued interests) of approximately US$3,618,653 in the open market. Details of the said disposal was disclosed in the Company's announcement dated 11 January 2024 and circular dated 9 February 2024.

On 12 January 2024, the Company disposed of the notes issued by China Cinda Finance (2015) I Limited, a wholly-owned subsidiary of China Cinda Asset Management Co., Ltd (which is a joint stock company incorporated in the PRC with limited liability and whose H shares (stock code: 1359) are listed on the Main Board of the Stock Exchange), in the principal amount of US$2,500,000 at a total consideration (together with the accrued interests) of approximately US$2,476,392 in the open market. Details of the said disposal was disclosed in the Company's announcement dated 12 January 2024 and circular dated 9 February 2024.

SSII Loan

On 31 January 2024 (after trading hours), the Company as the borrower and Southwest Securities International Investment Limited ("**SSII**") as the lender entered into a loan agreement, pursuant to which SSII as the lender agreed to offer an unsecured term loan in the amount of no more than HK$120,000,000 or equivalent to the Company as the borrower (the "**SSII Loan**"). As SSII is the controlling shareholder of the Company which is interested in approximately 74.10% of the issued share capital of the Company, the provision of the SSII Loan constituted a connected transaction of the Company under the Listing Rules. As the SSII Loan was on normal commercial terms or better and was not secured by the assets of the Group, the transaction was fully exempted from reporting, announcement, shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules. For details of the SSII Loan, please refer to the announcement of the Company dated 31 January 2024.

Save as disclosed above, there was no significant events affecting the Group after the Year and up to the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION TO THE REPORT

This report discloses the environmental, social and governance ("**ESG**") management concepts of Southwest Securities International Securities Limited ("**SWSI**" or the "**Company**", together with its subsidiaries, the "**Group**") and its ESG performance for the year ended 31 December 2023. Unless indicated otherwise, this report covers the period from 1 January 2023 to 31 December 2023 (the "**Year**"). For the Group's corporate governance practices, please refer to Corporate Governance Report of this Annual Report.

SCOPE OF REPORTING

In respect of the content, this report complies with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") published by the Stock Exchange, with an index of content set forth in the appendix to this report.

Unless specified otherwise, this report covers the Group's business activities in Hong Kong office, which represent its operations in the location where its major source of revenue is derived from. The Group has reported ESG performance of its subsidiaries under the Group's direct management control and will continue to evaluate significant ESG aspects of different operations to decide which aspects to include in this report. The Group will extend the scope of disclosures when and where applicable.

APPLICATION OF REPORTING PRINCIPLES

Materiality:	Material ESG topics are identified through stakeholder engagement.
Quantitative:	Data in this report are checked and analysed to account for year-on-year changes and are presented in a way that allows for comparison with previous performance. Calculation method of environmental performance indicators can be found in the section "PERFORMANCE DATA SUMMARY".
Balance:	The report is prepared in a transparent manner in which both positive and negative impacts are disclosed.
Consistency:	Unless otherwise stated, the data and statistical methods in this report are presented in a consistent manner, allowing meaningful comparison over time.

CONTACT US

SWSI welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of this report or the Group's performance in sustainable development by email at corporate_comm@swsc.hk.

BOARD STATEMENT

The Board takes the responsibility for overseeing the Group's ESG related risks and opportunities which are identified by the senior management team. As directed by the Board, the senior management team is dedicated to leading department managers to manage ESG issues by implementing corresponding initiatives, and to identify significant impacts concerning ESG that are generated due to the Group's operation. The Board will also review the progress on the execution of the ESG targets annually which are established based on the Group's principal business.

The Group has established appropriate and effective management policies and internal control systems for addressing ESG related issues. The Board confirmed that the contents disclosed in this report are in compliance with the requirements of the ESG Reporting Guide.

MATERIALITY

Fulfilling the needs of stakeholders is important to long-term success of the Group. To understand their concerns and feedback, we maintain close communication with key stakeholders including but not limited to government and regulatory authorities, shareholders and investors, employees, customers, suppliers, as well as the general public.

Based on the assessed significant impacts generated, the Group have identified a list of material topics which are denoted in bold below. Validated by the Board, these stakeholders' feedbacks are gradually incorporated into SWSI's strategic decision-making process.

Stakeholders	Issues of Concern	Engagement Channels
Government and Regulatory Authorities	• **Compliance with laws and regulations** • Support in economic development	• Supervision of compliance with local laws and regulations • Submission of reports and taxes paid
Shareholders and Investors	• **Anti-corruption** • Return on investments • Corporate governance • Business compliance	• Financial reports • Announcements and circulars • General meetings • Company website and press release
Employees	• Training and development • Employees' compensation and benefits • Health and safety in working environment	• Meetings and conferences • Training, seminars, briefing sessions • Intranet, emails, hotline, caring activities
Customers	• **Product and service quality** • Protection of customers' information	• Customer service hotline and email • Face-to-face meetings and on-site visits • Company website and press release
Suppliers	• Fair and open procurement • Win-win cooperation	• Open tendering • Suppliers' satisfactory assessment • Face-to-face meetings and on-site visits
General Public	• Social responsibilities	• Responses to media enquiries • Public welfare activities

ANTI-CORRUPTION

Anti-corruption is a key governance and control aspect for the Group. The Group remains committed to high standards of anti-corruption work and system, aiming to steer clear of wrong doings that may harm the transparency and openness of company operation. To maintain a fair and ethical business and working environment, the Group strictly complies with the Prevention of Bribery Ordinance of Hong Kong.

Whistleblowing

The Group is committed to acting in and upholding principles of openness, honesty and accountability. The Group strives to prevent any improper or fraudulent conduct that impinges on the interests of shareholders, investors, customers and the public, in a bid to protect the interests of the Group as a whole. Employees shall discharge their duties with integrity and avoid engaging in any activities that involve bribery, extortion, fraud and money laundering. The Group encourages whistleblowing and has formulated the Whistleblowing Policy to enable its employees and relevant third parties to report malpractices, frauds and irregularities of the Group in a confidential manner. The Company also ensures fair and independent investigations and appropriate follow-ups on relevant matters. Whistleblowers are protected by a confidentiality mechanism from any unfair dismissal or victimisation. Where criminality is suspected after consulting the Legal and Compliance Department ("**L&C Department**"), a report is to be made to the relevant regulators or law enforcement authorities.

Anti-corruption Training

The Group has collaborated with the Independent Commission Against Corruption (ICAC) to provide anti-money laundering-related training to employees. In October 2023, the Group invited the Education Officer from ICAC to organise a seminar themed on Professional Integrity — Winning Edge for financial services practitioners, with a total of 28 participants. In addition, the Group provided all employees with a specific online test on anti-money laundering in November and December 2023. All new employees were required to complete the online test within the first month of their tenure. Training materials on anti-corruption and combatting money laundering and terrorist financing were also distributed to directors in due course. During the Year, the Group was not aware of any violation of laws and regulations[1] that had a significant impact on the Group relating to bribery, extortion, fraud and money laundering. There were no concluded legal cases regarding corrupt practices.

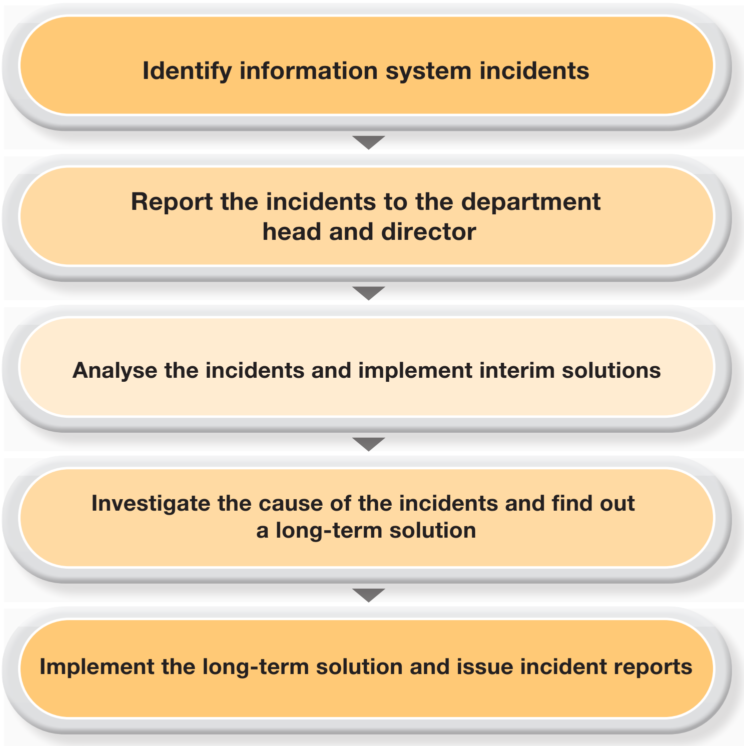
PROTECTION OF CUSTOMER INFORMATION

The Group is dedicated to protecting customers' privacy and complying with relevant laws and regulations related to the collection and use of customers' information. Owing to a contractual obligation of confidentiality to clients in relation to their information. Hence, the Group treats customers' transaction records and personal information as private and confidential, subject to disclosure requirements under relevant laws, rules and regulations.

The Group follows the General Compliance Manual that sets out the specific procedure for handling and protecting client data to ensure that information collected is used only for the purpose for which it has been collected. Customers are told in advance how their data will be used. Provision of customer information to a third party without customer authorisation is strictly prohibited. Customers always have the rights to review and revise their data, and to opt out from any direct marketing events. If there are any requests for customer information or client's business, the L&C Department is consulted to ensure the appropriateness of disclosure under applicable laws, regulations and policies.

[1] List of applicable laws and regulations available in "Laws and Regulations"

All employees must strictly enforce the Code of Data Confidentiality. Any violations that constitute a crime are subject to sanctions or referral to the judicial authorities. In addition, the Group has established the Information System Accident Handling Process, stipulating the responsive actions in the event of an information system accident. The Information System Accident Handling Process is as follows:



Guidelines in the event of loss of confidential data and accidents are listed in the User Terminal and Data Security Guidelines. All employees should abide by these guidelines to protect confidential customer data.

PRODUCT RESPONSIBILITY

The Group strives to provide high quality products and services to its customers. To understand customers' expectations and demands, we constantly monitor our customer satisfaction levels.

Products and Services Quality

To ensure compliance and high product quality, we have in place internal procedures and manuals such as the General Compliance Manual and the Sales Manual for the Brokerage Department. To ensure clear and balanced information are provided to the clients, product features, terms and conditions, and associated risks are clearly communicated by the Group's licensed employees to the clients through emails, telephones (with recording function) and relevant documents.

We sign agreements with our clients, with the terms and conditions along with associated risks clearly laid down. We follow the regulators' guidelines on anti-money laundering and counter-financing of terrorism in performing "Customer Due Diligence" and "Customer Risk Assessment" procedures. This allows us to understand the clients' financial background, trading experience and risk tolerance level before providing them with suitable products and services.

The Group has a backup server on standby to prevent the loss of important data. We have set up a comprehensive emergency plan and conduct regular emergency drills with relevant departments to increase our preparedness for emergency situations. In addition, a maker-and-checker mechanism is used to prevent any misappropriation or unauthorised use of clients' money and assets.

Customer Service

To fulfil the needs of our customers, the Group strives to address customers' complaints in a timely manner. We have in place a Complaint Handling Procedure to manage customer complaints. The Group collects customers' complaints through various channels such as complaint hotline, emails or letters, and all complaints are recorded with a customer complaint record form. The L&C Department is responsible for acknowledging the complaint, identifying the issues, and investigating the complaint. A formal reply is issued to the client within 30 business days. We Inform the client of any additional steps they can take under the regulatory regime, including the right to refer the dispute to the Financial Dispute Resolution Centre. To prevent recurrence of similar issues, an investigation report is filed to record the complaint. In case of any significant issues, the Group notifies relevant parties in accordance with the rules and regulations of the Securities and Futures Commission (the "**SFC**") and other relevant regulatory units.

To ensure that all complaints are addressed correctly, we follow the Customer Complaint Handling Guidelines when dealing with complaints. The definition of complaints, confidentiality of information and the documentation procedure are clearly listed, and any violations can result in punishments. During the Year, the Group has not received any products and service-related complaints.

The Group complies with the requirements as set out by various regulators such as Hong Kong Exchanges and Clearing Limited, the SFC and the Hong Kong ICAC as well as applicable laws and regulations in Hong Kong relating to product responsibility and proper conduct in the financial market. During the Year, the Group complied with all relevant laws and regulations[2] relating to health and safety, advertising, labelling and privacy matters concerning products and services sold and provided to customers.

OUR PEOPLE

Development and Training

The Group strives to provide diverse training opportunities to its employee to facilitate their growth and development. We aim to equip our employees with technical skills and knowledge to fulfil the needs of different job duties, enhancing the mutual development of employees and the Group.

In this regard, employees are required to attend internal and external training sessions. To fulfil the SFC's Continuous Professional Training ("**CPT**") requirement, a minimum of 10 CPT hours (for Licensed representative)/12 CPT hours (for Responsible Officer) per calendar year are required for licensed employees. We also allow employees to apply for training and lessons that could benefit their career development.

During the Year, our employees received internal training courses related to anti-money laundering, legal and compliance, cyber and security awareness and new employee orientation. Our employees also attended external trainings sessions and workshops related to anti-money laundering and counter-financing of terrorism, enforceability of credit support documents in Hong Kong and the Mainland, and integrity, etc. A detailed breakdown of the average training hours completed by each employee during the Year is as follows:

By gender	Male	Female
Breakdown for employees trained	50%	50%
Percentage of employees trained	88%	82%
The average training hours completed per employee	2.1 hours	1.2 hours

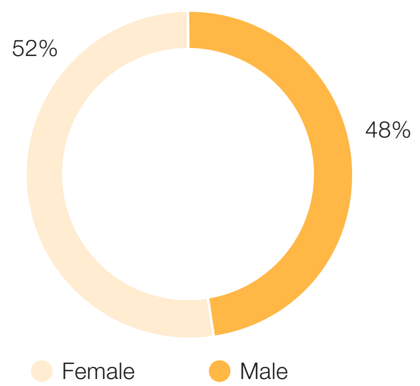
By employee category	General staff	Middle management	Senior management
Breakdown for employees trained	57%	29%	14%
Percentage of employees trained	80%	80%	100%
The average training hours completed per employee	1.4 hours	1.9 hours	2.3 hours

2 List of applicable laws and regulations available in "Laws and Regulations"

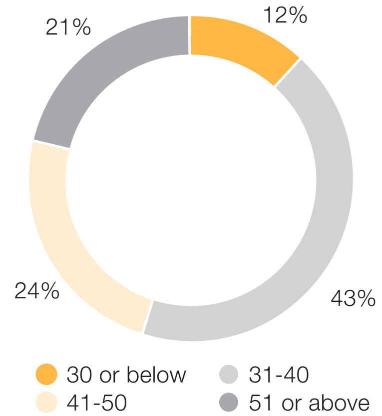
Employee Profile

As at 31 December 2023, all 33 employees are located in Hong Kong. Below is the employee breakdown by gender, age group, and employment type.

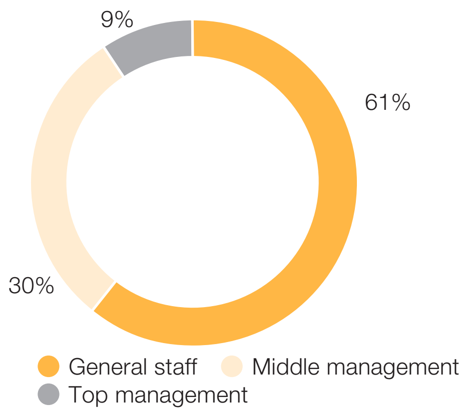
Gender Profile



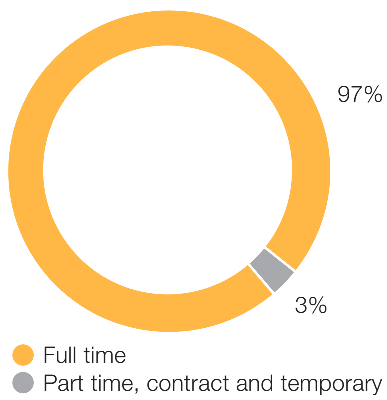
Age Profile



Employment Type (by Functional Category)

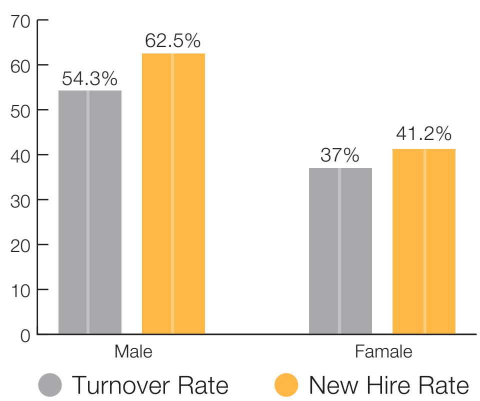


Employment Type (by Employment Mode)

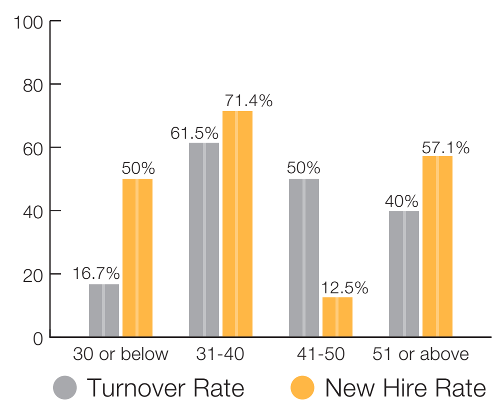


During the Year, the employee turnover rate was 46.8%, and the new hire rate 51.5%. Distribution of the employee turnover and new hires is presented in the graphs below:

Turnover and New Hire Rates by Gender



Turnover and New Hire Rates by Age Group



Employment and Labour Practices

Adhering to a people-oriented approach, the Group values its employees as its most valuable asset, strives to protect the rights and interests of employees, creates a healthy and harmonious working environment, and provides opportunities for their career development.

In order to reflect the core values of the Company and its employees, the Group has in place a series of human resources policies to improve the working standards and codes of conduct of its employees. The Staff Handbook covers rules and regulations of the Group, corporate culture, code of conduct, staff rights and responsibilities, remuneration and welfare policies. By familiarising themselves with various human resources policies it helps new employees to get to know and understand the Company and integrate into the workplace in an accelerated manner. The Group's Human Resources Department regularly reviews human resources policies and updates the policies in accordance with the latest laws and regulations and the actual operational needs, including but not limited to the Staff Handbook.

In order to protect the rights and interests of the Company and its employees, and to fulfill its social responsibilities, the Group adheres to labor laws, employment regulations and relevant laws and regulations in the recruitment process. The identity and relevant information of job applicants will be carefully checked. In case of deliberate concealment or deception, the employment application will be rejected. The Human Resources Department of the Group is responsible for monitoring and ensuring compliance with the latest human resources laws and regulations.

The Group strictly prohibits child labour and forced labour. During the Year, there were no labour or legal disputes arising from the illegal use of child labour or forced labour, and no complaints were received in this regard.

During the Year, the Group was not aware of any material non-compliance with the Labour Legislation, the Employment Ordinance and other relevant regulations that would have a significant impact on the Group.

Compensation and Benefits

Based on the principle of fairness, competitiveness, incentives, reasonableness, and legality, the Group has established a fair, reasonable and competitive remuneration system for employees. We offer competitive remuneration and benefits based on the individuals' past working performance, professional qualification and experiences. We ensure competitiveness by taking market benchmarks as reference when formulating remuneration packages. In order to motivate and reward existing employees, the Group conducts regular salary reviews according to the overall market environment, inflation, profitability of the Group and employees' working performance.

Working hours and holidays for employees are in line with local employment laws and the employment contracts with employees. To promote a family-friendly working environment, the Group not only provides statutory holidays and paid annual leave stipulated by the employment laws of Hong Kong Government, but also provides different types of paid leaves, including but not limited to birthday leaves, marriage leaves and examination leaves. Besides, the Group provides a series of benefits including medical and dental insurance, life insurance to employees.

Recruitment, Promotion and Dismissal

Attracting and retaining talents is crucial to the Group's development. Adhering to the principles of openness, fairness, transparency, standardisation, we adopt a set of transparent and clear procedures in conducting recruitment activities. During the recruitment process, the Group standardises the procedures and principles, and recruits the suitable employees according to their experience and qualifications.

To protect the interests of both employees and the Group, we have in place clear procedures on staff promotion, transfer and demotion, and regulated departure process. Any employment, promotion or dismissal is based on legitimate grounds. The Group prohibits any kind of illicit or illegitimate dismissals.

Equal Opportunity and Anti-Discrimination

As an equal opportunity employer, the Group adopts a zero-tolerance attitude to any forms of discrimination in its employment decisions and in workplace. To ensure fair employment, training and promotion opportunities, dismissal and retirement policies are not affected by age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job-related elements in all business units of the Group.

Discrimination on the basis of sex, nationality, family status and religion is prohibited in the employee's code of conduct. Employees can report to the Human Resources Department if they have noticed any potential violations. The Human Resources Department ensures strict compliance with local and corporate regulations on assessing, dealing with, recording and taking disciplinary actions on such events.

Employee Relations and Communications

The Group strives to provide and maintain a barrier-free employer-employee relationship. Employees are encouraged to maintain regular communication with the management and their colleagues through the office automation system, emails, training, website and meetings. Employees may file a complaint (if any) with board members, managers and the Human Resources Department. We examine and resolve every case seriously. To facilitate employee engagement, we encourage employees to participate actively in team building activities.

Occupational Health and Safety

Due to its office-based operation nature, the Group has limited risks related to occupational health and safety. Nevertheless, we aim to create a healthy, safe and comfortable working environment and eliminate all kinds of potential health and safety hazards. In this regard, we encourage employees to maintain physical health during work, for example by stepping away from their computers for a break, and performing simple relaxation exercises. If there are any injuries and fatalities at work, compensation is paid in accordance with relevant laws.

Occupational safety messages are included in the Staff Handbook, and the Administration Division will issue office safety guidelines and measures for staff to comply with from time to time. In addition, the Staff Handbook also outlines special work arrangements, such as work safety guidelines under extreme weather conditions, black rainstorms and typhoons, to ensure timely and effective measures can be taken in time of emergencies to protect the occupational health and safety of all employees. Other occupational health and safety measures include:

- Establish visitor registration requirements;
- Send email reminder on "Holiday Safety Precautions" to employees before long holiday;
- Regularly send emails to staff in relation to "Office Safety Management Rules" and "Office Safety Precautions and Emergency Measures"; and
- Organise fire drills and issue Fire and Emergency Evacuation Guidelines;

Although the epidemic began to ease at the beginning of the Year, the Group continued to take prevention and control measures. These included providing hand sanitiser in the office, offering free masks, cleaning and disinfecting the workplace, frequently cleaning air conditioning filters and carpets, and replacing water filters regularly to ensure a hygienic work environment. The Group also encourages employees to replace face-to-face meetings with video conferencing or other remote communication methods to reduce the risk of epidemic transmission.

The Group provides competitive medical insurance plans, life insurance, disability insurance, business travel insurance, and dental care for all employees.

During the Year, there were no cases of work-related injuries. The Group did not record any case regarding work-related fatalities over the past 3 years including the Year. In addition, no material non-compliance of laws and regulations relevant to health and safety of employees were found.

OPERATING PRACTICES

Supply Chain Management

The Group is committed to maintaining a close relationship with its suppliers, including but not limited to insurance companies, custodian banks, overseas exchange participants and fund houses. During the Year, the Group has worked and engaged with 29 suppliers, all located in Hong Kong.

The Group places high emphasis on the integrity of its suppliers. The Group's procurement processes are conducted in an open, fair and impartial basis. Discrimination against any particular supplier and corrupt practices is forbidden. Employees and any party related to the relevant suppliers are forbidden to take part in the subject procurement.

The Group has established a stringent and standardised procurement system and a systematic supplier selection process to ensure open and equal trading opportunities. Past suppliers with good product quality, service quality and performance will be considered in making decisions in relation to procurement. Due consideration will be given to the performance of all suppliers, including but not limited to their reputation, track record, expertise and competence, business stability, and product and service quality. Approved suppliers are typically certified by local regulators and authorities.

In line with the Group's green procurement philosophy, we will take account into the environmental benefits of our procurement practices. Priority will be given to the procurement of products and services that are environmentally friendly, energy-saving, of low energy consumption and favourable to the comprehensive utilisation of resources. We give priority to suppliers who are willing to reduce environmental impact. In addition to complying with environmental laws and regulations, we expect our suppliers to reduce environmental impact in the products and services they provide to the Group, as well as in their own procurement, production, logistics, development, sales and other business activities. We are committed to cooperating with suppliers to jointly fulfill the responsibility of environmental protection, energy conservation and emission reduction, and jointly establish a green supply chain.

We give preference to suppliers that are environmentally and socially sustainable, financially stable and legally responsible according to local laws. To monitor the quality of our suppliers, we conduct regular evaluation of our suppliers, checking whether the suppliers have been reprimanded or punished by local regulatory authorities, and whether suppliers comply with relevant laws and regulations and other required standards in terms of health and safety and the prevention of forced labour and child labour.

To maintain close relationship with its suppliers and ensure that they comply with local laws and regulations, the Group organises regular meetings with its suppliers for sharing market information and product updates and is quickly informed of the suppliers' situation through the internet, phone calls, and other communication means.

Advertising, Labelling and Sales

As a responsible financial services provider, the Group ensures advertisements do not give investors any impression of guaranteed profits. Information provided to clients should be complete, true, accurate, clear, and in compliance with relevant laws and regulations. In this regard, we require our marketing staff to obtain written approval from the relevant department head and from the L&C Department before publishing any advertisement or sales literature. This ensures that no advertisements contain false, misleading and deceptive statements, commitments and forecasts.

In addition, the Group has fairly strict specifications to monitor the behaviour of all staff and prohibits high-pressure sales tactics to induce customer trading, so as to prevent customers from making investment decisions under pressure or in haste. The Group also gives sufficient time to customers to understand the relevant materials, make careful considerations and seek independent third-party advice, if necessary, before making any investment decisions.

Intellectual Property Rights

The Group highly respects Intellectual Property (IP) rights of others as well as its own. Our approach in protecting IP rights is clearly listed in the User Terminal and Data Security Guidelines. The Group obtains proper license for software and information the Group uses in its business operations. Any duplication or downloading of information, software and images from the internet must be approved by relevant departments. Copying of software that does not comply with the vendor's permissions is strictly prohibited, and employees are prohibited from installing any unauthorised software on the computer or connect to any unauthorised hardware or device on the computer device.

Community Investment

The Group collaborates with different non-governmental organisations and charity organisations to respond to social needs. The Group has been recognised as a "Heart to Heart Company" by the Hong Kong Federation of Youth Groups since 2009 and was awarded the 5 Years Plus Caring Company Logo by The Hong Kong Council of Social Service in recognition of the Group's continuous contribution to the community. During the Year, a total of HKD$4,000 was donated in support of community projects. In addition, during the Year, the Group purchased a variety of organic food products from the organic farms of the Hong Kong Federation of Youth Groups, a non-profit charitable organization, for the enjoyment of colleagues as well as supporting the organization in promoting organic farming and green living, and showing our concern for the conservation of our environment.

OUR ENVIRONMENT

The Group's operations do not involve any direct energy-intensive manufacturing processes. Nonetheless, it makes no compromises when it comes to reducing the environmental implications of its operations. Throughout our entire business activities, we pay great attention to environmental and ethical considerations such as resource management and emissions reduction.

In 2023, the Group continued to keep itself up-to-date on the most recent national and local environmental laws and regulations and maintained its commitment to measures that safeguard the environment based on applicable laws and regulations. During the Year, the Group was not aware of any incidents of non-compliance with laws and regulations[3] that have a significant impact on the Group, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

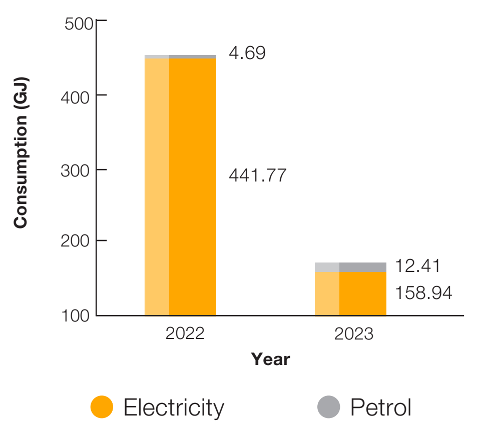
[3] List of applicable laws and regulations available in "Laws and Regulations"

Climate Change

We are aware of the likelihood that climate change will have an impact on our operations. Typhoons and floods, for example, are extreme weather phenomena that might disrupt our daily operations. The Group has developed a Climate Policy to manage the risks associated with climate change and has included climate change as one of the fundamental factors in enterprise risk management processes and to assess the impact of climate change on its operations. The Group reviews its Climate Change Policy on a regular basis to ensure that necessary information and resources are available to monitor the impact of climate change on its workers and business activities.

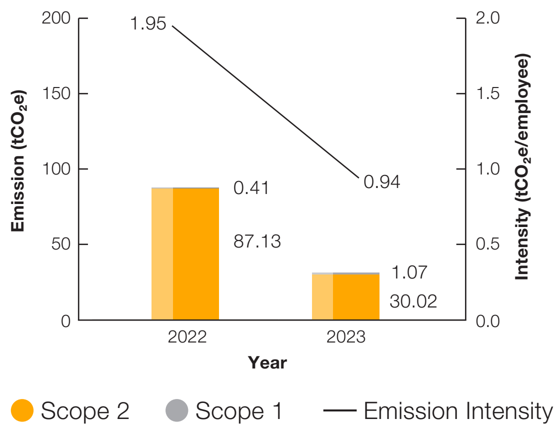
Energy Consumption

The Company consumes electricity and petrol in the course of its daily operations. During the Year, total energy consumption was approximately 47,595.86 kWh (171.35 GJ), including the respective electricity and petrol consumption of approximately 44,149 kWh (158.94 GJ) and 402.88 L (3,446.86 kWh/12.41 GJ). Total energy intensity was 1,442.30 kWh/employee during the Year.



Carbon Emissions

In 2023, total GHG emissions amounted to approximately 31.09 tonnes of carbon dioxide equivalent ("**tCO_2e**"), of which 1.07 tCO_2e were direct emissions (Scope I), attributed to petrol consumed by our private vehicles. The remaining 30.02 tCO_2e of indirect carbon emissions (Scope II) were due to purchased electricity. The emission intensity was 0.94tCO_2e/employee.



The Group has formulated rules and regulations to achieve the goal of energy conservation and efficiency. Such measures are listed below:

01 INCREASING ENERGY EFFICIENCY

- Use appliances with energy-saving labels

02 MAINTENANCE OF EQUIPMENT

- Regular inspection of lighting, air conditioning and other power systems
- Strengthen the maintenance and overhauling of the equipment, keep the electric equipment in the best condition, and use the electricity efficiently

03 REDUCING UNNECESSARY ENERGY USE

- Posting "Save Electricity, Turn Off Idle Lights" stickers in prominent places to encourage electricity conservation
- Install translucent curtains to let in light and keep air conditioners running efficiently
- Lights, air conditioners, computers and other office equipment in office areas and conference rooms should be turned off when they are not needed to avoid wasting electricity
- Employees are not allowed to stay in the office during non-office hours unless it is necessary for their work to avoid wastage of electricity

Use of Resources

The Group maintains and promotes the notion of resources usage efficiency, assessing the potential environmental impact of its commercial operations in real time. The Group fosters a green office and operations environment and reduces its environmental effect by adhering to the 4Rs principles of "Reduce, Reuse, Recycle, and Replace."

Water Consumption

The Group's daily operations do not consume significant volume of water, and therefore the Group's business activities did not generate any material water discharge. The water supply facilities (including our office's drinking water) and drainage systems of the Group are provided and managed by the relevant property management company.

The Group is dedicated to promoting better utilisation of water resources and conserving water by adopting the following practices:

Repair the faucet as soon as it starts dripping to prevent further leaks in the water system

Post "Water Conservation" stickers in prominent places to encourage water conservation

Emissions

Air Emissions

The Group's petrol consumption from the use of private vehicles generates approximately 0.006 kg sulphur oxides ("**SO_x**"), 3.91 kg nitrogen oxides ("**NO_x**") and 0.29 kg particulate matters ("**PM**"). The Group actively implements environmental protection measures to reduce GHG emissions by:

Turn off the engine when the vehicle is not in use	Use unleaded and low sulphur fuels as required by law	Replace substandard vehicles	Regular vehicle maintenance to ensure engine performance does not impede efficient use of fuel

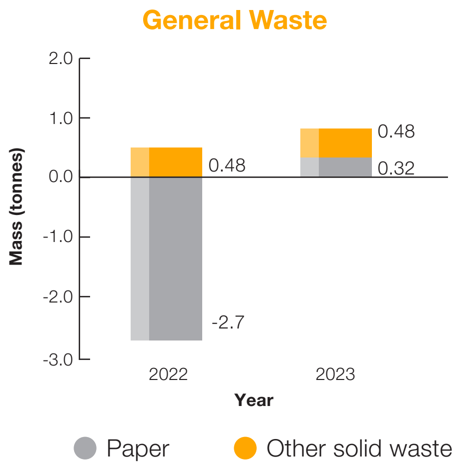
After the vehicle reaches the specified mileage, it is sent to the depot for inspection. If there is any malfunction, it is repaired immediately	Encourage employees to take public transport instead of driving to work	Reduce the number of business trips through electronic communication methods such as video or multi-party voice conferences

In addition to the actions mentioned above, the Group spreads the message of environmental protection to employees in order to raise their knowledge. In addition, the office has displayed notifications and posters with green information to promote environmental management best practices.

Waste

The Group adheres to waste management principles and aims to properly treat and dispose of all wastes associated with its operations. Its waste management techniques are all in accordance with local environmental laws and regulations. The majority of non-hazardous waste created by the Group's commercial activities is paper and other solid trash. Following collection and separation, such wastes are collected and processed centrally by a general waste collection service provider, whereas recyclables, such as paper, are recycled.

Paper and other solid wastes are the main non-hazardous wastes generated by the Group's business activities, as it is primarily an office-based business. Following collection and sorting, such wastes are collected and handled by a centralised general garbage collection service provider, while recyclables, such as paper, are recycled. Throughout the year, 0.46 tonnes of paper was consumed, with 0.14 tonnes being recycled. Other solid waste was 0.48 tonnes during the Year. The waste intensity was 0.024 tonnes/employee.



The Group does not generate any hazardous waste in the course of its operations. To reduce solid waste, the Group encourages employees to recycle office paper and toner cartridges, as well as reuse office stationery. The Group reduces paper consumption through the following initiatives:

Use FSC or PEFC paper to reduce environmental damage	Announcements to all employees about available print volumes, prompting them to think before printing	Encourage employees to reduce the use of multifunction printers and copiers to reduce the number of toner cartridges ordered

Set the printer's default setting to print on both sides	Preview documents before printing, adjust page layout or margins	Use access cards to record each employee's paper usage for printing or copying

Use of office automation systems and e-mail for internal documentation	Use the back of an old document for printing or as scratch paper	Collect used paper for recycling

The Group places labels around the office to advise employees to use less paper and provides associated workplace facilities to encourage employees to separate waste at the source and recycle waste materials, with the goal of meeting waste reduction, reusability, and recycling targets in its operations.

The Environment and Natural Resources

The Company's business has no significant impact on the environment. We regularly review our environmental policy and consider other environmental protection measures and practices in the Group's business operations to identify opportunities for any enhancement environmental sustainability.

The Group has set a goal of reducing GHG Emissions. To guide and monitor our environmental activities, we have established a five-year target in respect of electricity, water and paper consumption as well as waste recycling:

Carbon Emissions

- Follow the Hong Kong Roadmap on Popularisation on Electric Vehicles of the Hong Kong Government and gradually replace traditional petrol vehicles with electric vehicles

Waste

- Follow the Waste Blueprint for Hong Kong 2035 of the Hong Kong Government and prepare for the implementation of municipal solid waste charging according to the "polluter pays" principle

- Active recycling of waste paper, waste toner cartridges, waste batteries and waste optical tubes with a recovery rate of ≥ 90%

- Maintain contact with suppliers for recycled paper and toner cartridge products (e.g., paper with recycled fibber content, recycled toner cartridges, etc.)

Energy Saving

- Follow the Energy Saving Charter 2022 of the Hong Kong Government and maintain the average indoor temperature between 24 and 26 degrees Celsius during the summer months of June to September; Turn off appliances and systems that are not in use; and make 100% use of Tier 1 energy labelled products

Water Saving

- Actively participate in the Water Efficiency Labelling Schemes of the Water Supplies Department and make 100% use of water appliances with Tier 1 water efficiency labels

LAWS AND REGULATIONS

Aspect	Applicable Laws and Regulations	Section/Remarks
Product Responsibility	• Securities and Futures Ordinance • Personal Data (Privacy) Ordinance • Companies Ordinance • Anti-Money Laundering and Counter-Terrorist Financing Ordinance • Drug Trafficking (Recovery of Proceeds) Ordinance • Organised and Serious Crimes Ordinance • United Nations (Anti-terrorism Measures) Ordinance • United Nations Sanctions Ordinance • Weapons of Mass Destruction (Control of Provision of Services) Ordinance • Prevention of Bribery Ordinance • Insurance Ordinance • Mandatory Provident Fund Schemes Ordinance	PRODUCT RESPONSIBILITY
Anti-corruption	• Prevention of Bribery Ordinance	ANTI-CORRUPTION
Employment	• Employment Ordinance • Employees' Compensation Ordinance • Minimum Wage Ordinance • Mandatory Provident Fund Schemes Ordinance • Personal Data (Privacy) Ordinance • Disability Discrimination Ordinance • Family Status Discrimination Ordinance • Race Discrimination Ordinance • Sex Discrimination Ordinance	OUR PEOPLE
Occupational Health and Safety	• The Occupational Safety and Health Ordinance • Employees' Compensation Ordinance	Occupational Health and Safety
Environment	• Air Pollution Control Ordinance • Waste Disposal Ordinance • Product Eco-responsibility Ordinance of Hong Kong	OUR ENVIRONMENT

PERFORMANCE DATA SUMMARY

		2023	2022
Environment	**Total Resources Consumption (kWh)**	**47,595.86**	**124,017.61**
	Electricity (kWh)	44,149	122,714
	Petrol (Litres)	402.88	152.37
	Greenhouse Gases Emissions		
	Total GHG emissions (tCO_2e)	31.09	87.54
	Scope 1 (tCO_2e)	1.07	0.41
	Scope 2 (tCO_2e)	30.02	87.13
	Air Emissions[4]		
	Sulphur oxides (SO_x) (kg)	0.006	0.002
	Nitrogen oxides (NO_x) (kg)	3.91	3.71
	Particulate matters (PM) (kg)	0.29	0.27
	Waste		
	Hazardous waste (tonnes)	–	–
	Non-hazardous waste (tonnes)	0.80	0.48
	Water (distilled water) (Litres)[5]	609.8	831.6
Workforce Demographics	**Total Headcount**	**33**	**45**
	By Geographical Distribution		
	Hong Kong (Headquarters)	33	45
	Others	0	0
	By Age Group		
	<30	4	10
	31-40	14	16
	41-50	8	13
	>51	7	6
	By Gender		
	Male	16	25
	Female	17	20

4 Air emissions are calculated based on fuel consumption of company vehicles

5 The water consumption figure is an estimate as the water supply and drainage systems of our office are managed by the property management company, limiting our ability to obtain precise data.

Notes:

This document follows generally accepted best practices in corporate reporting in line with HKEx guidance. Greenhouse gas emissions are calculated in accordance with the Accounting and Reporting Standards for Business Enterprises in Scopes 1 and 2 (revised edition).

Carbon emission calculation standards and methods:

- Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, published by the Environmental Protection Department of the Hong Kong Government, with Sustainability Report 2020 of HK Electric as the source of published emission factors for carbon emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2023	2022
	By Employment Type		
	Full-time	32	45
	Part-time, contract and temporary	1	0
	By Functional Category		
	General staff	20	27
	Middle management staff	10	13
	Senior management staff	3	5
	Employees' Turnover Rate	46.8%	45.8%
	By Age Group		
	<30	16.7%	31.6%
	31-40	61.5%	42.4%
	41-50	50.0%	68.2%
	>51	40.0%	33.3%
	By Gender		
	Male	54.3%	44.4%
	Female	37.0%	47.4%
	By Geographical Region		
	Hong Kong (Headquarters)	46.8%	45.8%
	Others	0%	0%
	Employees' New Hire Rate	51.5%	37.8%
	By Age Group		
	<30	50.0%	80%
	31-40	71.4%	37.5%
	41-50	12.5%	15.4%
	>51	57.1%	16.7%
	By Gender		
	Male	62.5%	24%
	Female	41.2%	55%
	By Geographical Region		
	Hong Kong (Headquarters)	51.5%	37.8%
	Others	0%	0%
Health and Safety	**Occupational Health and Safety Performance**		
	Work-related accidents	0	0
	Lost days due to work injury	0	0
	Work-related fatalities	0	0

		2023	2022
Employee Training Performance	**Percentage of Employees Trained**		
	By Gender		
	Male	88%	100%
	Female	82%	70%
	By Functional Category		
	General staff	80%	78%
	Middle management staff	80%	100%
	Senior management staff	100%	100%
	Average Training Hours		
	By Gender		
	Male	2.1	2
	Female	1.2	1.4
	By Functional Category		
	General staff	1.4	1.8
	Middle management staff	1.9	1.4
	Senior management staff	2.3	2.1
Supply Chain Management	**Total Number of Suppliers**	29	40
	By Geographical Regions		
	Hong Kong	29	40
	Mainland	0	0
	Others	0	0
Community	**Donation (HKD)**	4,000	6,000

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG REPORT CONTENT INDEX

Subject areas, aspects, general disclosures and KPIs	Description	Section/Declaration
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	OUR ENVIRONMENT
KPI A1.1	The types of emissions and the respective emissions data.	Air Emissions; PERFORMANCE DATA SUMMARY
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Carbon Emissions; PERFORMANCE DATA SUMMARY
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste; PERFORMANCE DATA SUMMARY
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste; PERFORMANCE DATA SUMMARY
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	OUR ENVIRONMENT; Carbon Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste; OUR ENVIRONMENT; Waste

Due to our office-based operation, the carbon emissions generated is mainly from purchased electricity, and our impact to the environment is relatively limited. Nevertheless, we will remain vigilant in terms of tackling climate change.

Subject areas, aspects, general disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption; PERFORMANCE DATA SUMMARY
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption; PERFORMANCE DATA SUMMARY
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	OUR ENVIRONMENT; Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	OUR ENVIRONMENT; Water Consumption
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group does not need to use a large quantity of packaging materials.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuers' significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and KPIs	Description	Section/Declaration
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employee Profile; PERFORMANCE DATA SUMMARY
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Profile; PERFORMANCE DATA SUMMARY
Aspect B2: Health and Safety		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety; PERFORMANCE DATA SUMMARY
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety; PERFORMANCE DATA SUMMARY
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety

Subject areas, aspects, general disclosures and KPIs	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training; PERFORMANCE DATA SUMMARY
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of child and forced labour.	Employment and Labour Practices
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Practices
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labour Practices
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management; PERFORMANCE DATA SUMMARY
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject areas, aspects, general disclosures and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	PRODUCT RESPONSIBILITY
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to our business nature, our products do not cause any safety and health issues.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Products and Services Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	PROTECTION OF CUSTOMER INFORMATION
Aspect B7: Anti-corruption		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	ANTI-CORRUPTION
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	ANTI-CORRUPTION
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	ANTI-CORRUPTION
KPI B7.3	Description of anti-corruption training provided to directors and staff.	ANTI-CORRUPTION

Subject areas, aspects, general disclosures and KPIs	Description	Section/Declaration
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment; PERFORMANCE DATA SUMMARY

CORPORATE GOVERNANCE REPORT

The Board recognizes the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders, and is responsible for discharging the responsibilities of corporate governance. The Board and senior management of the Company recognizes their responsibility to maintain the interests of the shareholders and to enhance shareholders' value. The Board also believes a comprehensive policy of corporate governance can facilitate the development of a company in a robust governance structure and strengthen the confidence of the shareholders (the "**Shareholders**") and investors of the Company.

CORPORATE GOVERNANCE PRACTICES

During the Year, the Company has applied the principles of, and has complied with all code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules. The Company has made specific enquiry with each Director and, based on such enquiry, confirmed that all Directors have complied with the required standard and code of conduct regarding directors' securities transactions set out in the Model Code throughout the Year. Employees and consultants who are privy to inside information are required to follow the Model Code.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

During the Year, the Company has arranged for appropriate cover on Directors' and officers' liability insurance policy to indemnify the Directors and officers for liabilities arising from corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the Year.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprised one executive director, Mr. HUANG Changsheng (Chief Executive Officer); and three independent non-executive directors, Mr. MENG Gaoyuan, Mr. LIANG Jilin and Mr. CAO Ping.

Executive Directors:	Mr. HUANG Changsheng *(Chief Executive Officer)* *(appointed as Chief Executive Officer on 24 November 2023)* Mr. ZHANG Hongwei *(resigned on 14 March 2024)*
Independent Non-executive Directors:	Mr. MENG Gaoyuan Mr. LIANG Jilin Mr. CAO Ping

Roles and Responsibilities

The Board is responsible for formulating the development strategy based on the Group's corporate culture and overseeing the overall business strategy, management planning and control of the Company. The management is responsible for day-to-day management of the Group. The Directors have accumulated sufficient and valuable experience to carry out their duties in an efficient and effective manner. Other than the statutory duties imposed on each of them, all of the Directors have set an example by exercising due care in monitoring the corporate matters of the Company to promote corporate culture and have provided grave concern, sufficient time and attention to all the significant issues and affairs of the Group, to ensure the Company's development and decisions are in the long-term interest of the Group.

Each newly appointed Director is provided with an induction on the first occasion of his/her appointment to ensure that he/she has adequate understanding of the businesses and operations of the Group. Furthermore, newly appointed Directors are provided with relevant trainings. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements.

Details of the backgrounds and qualifications of the Directors are set out in the section "BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT".

Directors were appointed for a specific term where all Directors were appointed for a period of 3 years. At least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at least once every three years. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment.

The Board has established a set of board diversity policy setting out the approach to achieve diversity on the Board aiming at enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Board reviews the implementation and effectiveness of the diversity policy on an annual basis. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company.

The Board is responsible for directing the strategic objectives of the Group, overseeing the management of the business, and reviewing the Group's business progress and operating results on a regular basis to ensure that business development is in line with the Group's overall strategic objectives, with the ultimate goal of maximizing the Shareholders' value and long-term success of the Company while the day-to-day management of business and operations are delegated to the chief executive officer, respective Board committees and senior management of the Group.

The Board of the Group regularly reviews the performance of the Board members to ensure that each Director contributes to the development of the Company in accordance with their roles and responsibilities and that independent views and opinions are available to the Board. To the best knowledge of the Directors, there are no relationships among the Board members, including financial, business, family or other material/relevant relationships.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

During the Year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in having 3 independent non-executive Directors, representing more than one-third of the Board. The independent non-executive Directors, all of whom are independent of the management of the Group's businesses, are professionals with substantial experience in areas such as legal, accounting or financial management. The independent non-executive Directors provide positive recommendations on the formulation and execution of the Company's strategy by providing independent, constructive and informed advice.

The Company has received annual written confirmation from each independent non-executive Director of his independence to the Group pursuant to the Rule 3.13 of the Listing Rules and considered that all the independent non-executive Directors to be independent throughout the Year.

The change in the information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the Company's last interim report is set out below:

— Mr. Huang Changsheng was appointed as the chief executive officer of the Company since 24 November 2023. He performed the duties of the chairman of the Board and was appointed as a member of each of the Remuneration Committee and the Nomination Committee with effect from 14 March 2024.

— Mr. Zhang Hongwei resigned as executive director of the Company and chairman of the Board with effect from 14 March 2024 as he has reached the retirement age. He also ceased to be a member of the remuneration committee and a member of the nomination committee of the Company on same day.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Continuing Professional Development

Directors' training is an ongoing process. All Directors are encouraged to attend the seminars and courses on relevant topics when counting towards continuous professional development training.

Pursuant to C.1.4 of the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. According to the records maintained by the Company, during the Year, all Directors participated in continuous professional development through reading materials on regulatory updates, anti-money laundering and counter terrorist financing and anti-bribery and/or attending relevant seminars or courses provided by professional bodies. All Directors have provided the Company with a record of the relevant training undertaken during the Year as summarized below:

Directors	Attending Seminar	Reading Materials
Executive Directors:		
Mr. HUANG Changsheng[1]	✓	✓
Mr. ZHANG Hongwei[2]	✓	✓
Independent Non-executive Directors:		
Mr. MENG Gaoyuan	✓	✓
Mr. LIANG Jilin	✓	✓
Mr. CAO Ping	✓	✓

Notes:

1. appointed as Chief Executive Officer on 24 November 2023
2. resigned on 14 March 2024

Board meetings

The Board meets regularly for discussing and determining the strategies of the Group, setting directions and monitoring the performance of the Group. Notice of not less than 14 days are given to all Directors in convening all regular meetings. Each Director can access to the advice and services of the company secretary and is invited to include any matters in the agenda of the regular meetings. Agenda and materials for discussion in the meetings are circulated to all Directors at least 3 days prior to the date of the meetings.

Any Directors, who have declared to have a conflict of interest in the proposed transactions or issues to be discussed, would not be counted in the quorum of the meeting and would abstain from voting on the relevant resolution.

Senior management is responsible for providing adequate and timely information to the Board and its committees, and may be invited to attend the meetings to make presentations and answer the Board's enquiries. All draft minutes of each meeting are circulated to all Directors for comment within reasonable time after the meeting has been held. The company secretary is responsible for keeping minutes of the meetings of the Board and its committees. All directors have the right to inspect the documents and minutes of the meetings.

During the Year, the Board held 4 physical meetings and the attendance of each Director is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, the position of the chairman of the Company (the "**Chairman**") was held by Mr. ZHANG Hongwei ("**Mr. ZHANG**"). Mr. HUANG Changsheng ("**Mr. HUANG**"), an executive director of the Company, was appointed as the Chief Executive Officer of the Company ("**Chief Executive Officer**") with effect from 24 November 2023. The roles of Chairman and the Chief Executive Officer are segregated and there are no relationships between Mr. ZHANG and Mr. HUANG. The Chairman provides leadership for the Board and ensures that there is clear division of responsibilities at the board level, the Company has good corporate governance practices and procedures in place, and the Board acts in the best interests of the Group. The Chief Executive Officer is responsible for overseeing the day-to-day management of the Company, overseeing the development of the Group's business to ensure that business operations are in line with its overall strategy and objectives. Mr. ZHANG resigned as an executive director and the Chairman of the Company with effect from 14 March 2024 as he has reached the retirement age. The Board and the nomination committee will select, recommend and nominate candidate for the new chairman as soon as practicable, and Mr. HUANG will perform the duties of the chairman of the Board with the support of other members of the Board and senior management of the Company during the vacancy of the chairman.

BOARD COMMITTEES

The Company currently has three committees, namely the audit committee, remuneration committee and nomination committee for overseeing particular aspects of the Company's affairs. All committees have been provided with sufficient resources to discharge their respective duties and all committee members may seek external professional advices, if necessary, at the costs of the Group.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises all 3 independent non-executive Directors, namely Mr. MENG Gaoyuan, who acts as the chairman, Mr. LIANG Jilin and Mr. CAO Ping.

The duties of the Audit Committee include, inter alia, monitoring the integrity of financial statements and the accounting policies and practices, making recommendation to the Board on the appointment, reappointment and removal of external auditor, reviewing the Company's financial controls, risk management and internal control systems. The Audit Committee meets four times a year to discuss and review the financial information, the risk management and internal control systems and relevant matters. The proceedings of the Audit Committee meetings are the same as the Board meetings. The terms of reference of the Audit Committee is available on HKEXnews website and the Company's website.

During the Year, the Audit Committee performed duties, including the review of (i) the audit planning memoranda; (ii) the results for the financial year ended 31 December 2022 and the interim period for the six months ended 30 June 2023; (iii) financial reporting and compliance procedures; (iv) the compliance and internal audit reports; (v) the effectiveness of risk management and internal control system and internal audit function. The Audit Committee also made recommendations to the Board on reappointment of external auditor and its remuneration, and formulated and approved the whistleblowing policy during the Year.

The Company's annual results for the Year have been reviewed by the Audit Committee.

The Audit Committee held 4 meetings during the Year and the attendance of each member is set out on a named basis under the section headed "ATTENDANCE SUMMARY" below.

Nomination Committee

The nomination committee of the Company (the "**Nomination Committee**") consists of 4 members, including an executive Director, namely Mr. Huang Changsheng (appointed on 14 March 2024), and all 3 independent non-executive Directors, namely Mr. MENG Gaoyuan, Mr. LIANG Jilin, who acts as the chairman, and Mr. CAO Ping.

The main duties of the Nomination Committee include, inter alia, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment and removal of Directors. The terms of reference of the Nomination Committee is available on HKEXnews website and the Company's website.

During the Year, the Nomination Committee performed the duties including (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) to assess the independence of independent non-executive Directors; (iii) made recommendations to the Board on the re-election of Directors; and (iv) reviewed the board diversity policy.

The Nomination Committee held 1 meeting during the Year and the attendance of each member is set out on a named basis under the section headed "ATTENDANCE SUMMARY" below.

Remuneration Committee

The remuneration committee of the Company (the "**Remuneration Committee**") comprises all 3 independent non-executive Directors, namely Mr. CAO Ping, who acts as the chairman, Mr. MENG Gaoyuan and Mr. LIANG Jilin and an executive Director, namely, Mr. Huang Changsheng (appointed on 14 March 2024).

The responsibilities and authorities of the Remuneration Committee are set out in its terms of reference, including but not limited to making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, reviewing and approving the remuneration packages of executive Directors and senior management and making recommendations to the Board on the remuneration of non-executive Directors. The Board together with the Remuneration Committee monitor the performance of the executive Directors and the senior management. Such division of responsibilities ensures a balance of power. The Remuneration Committee shall meet at any time as and when necessary. Terms of reference of the Remuneration Committee is available on HKEXnews website and the Company's website.

During the Year, the Remuneration Committee performed duties including, reviewing and approving the remuneration packages of the Directors and senior management, and reviewing and approving the amendments to the terms of reference of the Remuneration Committee in alignment with the CG Code updates. No Director was involved in deciding his own remuneration.

The Remuneration Committee held 1 meeting during the Year and the attendance of each member is set out on a named basis under the section headed "ATTENDANCE SUMMARY" below.

DIRECTORS' REMUNERATION POLICY

The Directors' fees are subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee annually. Details of the Directors' remuneration are set out in note 7 of the consolidated financial statements.

None of the Directors has waived any emoluments and no emolument were paid by the Group to any Director as an inducement to join at upon joining the Group or as compensation for loss of office for the Year.

SUMMARY OF THE NOMINATION POLICY

The Company has adopted the nomination policy which sets out the principles and guidelines which the Nomination Committee shall follow in respect of nomination, selection and appointment (including the re-election thereof) of a director of the Company.

The Nomination Committee shall assess the integrity, suitability and ability of a candidate proposed to become a Director, having due regard to the board diversity policy of the Company and other factors as the Nomination Committee considers appropriate. For a candidate proposed to become an independent non-executive Director, the Nomination Committee shall assess the independence of the candidate, to which the independent criteria under the Listing Rules shall be observed.

The Nomination Committee shall make recommendation to the Board for appointment of a candidate to become a Director. The Board shall have the ultimate responsibility for all matters relating to the selection and appointment of a Director.

The Nomination Committee shall from time to time review the nomination policy, as appropriate, to ensure the effectiveness of such policy and shall make recommendation of any revision to the Board.

SUMMARY OF THE BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") setting out the objectives and the factors to be considered for achieving Board diversity. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage and corporate governance.

Measurable Objective

Selection of candidates will be based on a range of diversity perspectives including but not limited to gender, age, cultural and 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 Board's composition will be disclosed in the Company's annual report. The Nomination Committee will use its best endeavours to identify and recommend at least one suitable female candidate to the Board for its consideration on appointment of a Director by 31 December 2024.

Monitoring and reporting

The Nomination Committee will review the Board's composition under diversified perspectives and monitor the implementation of the Board Diversity Policy annually. During the year under review, the Nomination Committee has reviewed the Board's composition (including the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) which has been disclosed on page 40 in this annual report and considered the current Board's composition is appropriate.

Gender Ratio in the Workforce

The total gender diversity of the Company is balanced. For details, please refer to the section "Our People" of the "Environmental, Social and Governance Report". All senior management are male. The Company bases on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge in the selection and promotion of employees (including senior management).

CORPORATE GOVERNANCE FUNCTION

No corporate governance committee was established and the Board is responsible for, amongst other things, the development and review of the policies and practices on corporate governance of the Group and monitoring compliance with legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the Company's compliance with the CG Code, ESG performance and disclosure in the corporate governance report included as part of the annual report.

The Corporate Governance report has been reviewed by the Board in discharge of its corporate governance function.

ATTENDANCE SUMMARY

The following table shows the attendance of each individual member of the Board and the Board committees at the regular Board meetings, the respective Board committee meetings, the annual general meeting held on 21 June 2023 (the "**2023 AGM**") during the Year:

	Attendance/Number of meetings held during the Year				
Name of members of the Board/ the Board Committees	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	2023 AGM
Executive Directors:					
Mr. HUANG Changsheng[1]	4/4	N/A	N/A	N/A	1/1
Mr. ZHANG Hongwei[2]	4/4	N/A	1/1	1/1	1/1
Independent Non-executive Directors:					
Mr. MENG Gaoyuan	4/4	4/4	1/1	1/1	1/1
Mr. LIANG Jilin	4/4	4/4	1/1	1/1	1/1
Mr. CAO Ping	4/4	4/4	1/1	1/1	1/1

Notes:

1. appointed as the Chief Executive Officer on 24 November 2023
2. resigned on 14 March 2024

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Director during the Year.

The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments. All businesses transacted at board meetings are properly documented and recorded.

All resolutions put forward at general meeting of the Company were voted by way of poll and the announcement on the poll vote results was made by the Company after the general meeting was held in the manner prescribed under Rule 13.39(5) of the Listing Rules.

DIRECTORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges the responsibility for preparing the accounts which gives a true and fair view, appropriate accounting policies are selected and applied consistently and judgment and estimates are made prudently and reasonably on a going concern basis.

The reporting responsibilities of the Company's external auditor in relation to the financial reporting are set out under the section "INDEPENDENT AUDITOR'S REPORT" in this annual report.

ACCOUNTABILITY

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for the preparation of the Group's financial statements and believe that these statements give a true and fair view of the state of the Group's affairs and of its results. The Board has adopted appropriate accounting policies and made proper estimates for the preparation of financial statements. The Directors are aware of conditions which indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Details are as follows:

The Group incurred a consolidated loss of approximately HK$15,943,000 for the Year, had net current liabilities of approximately HK$37,990,000 and capital deficiency of approximately HK$37,077,000 as at 31 December 2023, which was mainly attributable to bond payable of approximately HK$722,422,000 that would be due for repayment on 9 February 2024, while its cash and bank balances amounted to only approximately HK$603,964,000 as at 31 December 2023.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In the preparation of the Group's consolidated financial statements, the Directors have considered the on-going cash flow situation and the continuous financial support that might have from SSII covering a period of not less than twelve months from 31 December 2023 and have given careful consideration to the Group's future liquidity and performance and its available sources of financing to continue as a going concern.

After taking into account the following considerations, the consolidated financial statements have been prepared by the directors on a going concern basis:

(i) subsequent to the end of the reporting period, on 9 February 2024, the bond payable was fully settled with the proceeds from the disposal of all the Group's financial assets at fair value through profit or loss of approximately HK$99,042,000 and a shareholder loan from SSII of HK$120,000,000 ("**Controlling Shareholder's Loan**"). The Controlling Shareholder's Loan is unsecured, unguaranteed, interest bearing at fixed rate of 6.1475% and repayable on or before 31 December 2024;

(ii) the repayment of the Controlling Shareholder's Loan could be negotiated and further agreed upon in writing as stipulated in the Controlling Shareholder's Loan agreement, if necessary; and

(iii) as of the date on which these consolidated financial statements are being approved by the Directors, being the controlling shareholder of the Company, SSII also provided a written letter to the Company to confirm its intention to provide adequate financial support to ensure that the Group has sufficient working capital to maintain its operations until 30 June 2025.

Notwithstanding the above, material uncertainties exist that may cast significant doubt on the Group's ability to continue as going concern, which depends on (i) the financial ability of SSII, as being the controlling shareholder of the Company, to ensure the Group is able to continue as a going concern and has sufficient working capital for the Group's requirements till 30 June 2025; and (ii) the final settlement date of the Controlling Shareholder's Loan as further mutually agreed upon with SSII, if necessary.

Should the Group be unable to achieve the above-mentioned measures, it might not be able to continue in business as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected by the directors in the consolidated financial statements.

INDEPENDENT AUDITORS

SHINEWING (HK) CPA Limited ("**SHINEWING**") was re-appointed as auditor of the Company at the 2023 AGM. SHINEWING is subject to reappointment as independent auditor of the Group at the forthcoming annual general meeting of the Company. It is the auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the independent auditor's report.

The Audit Committee is responsible for considering the appointment of the external auditor of the Company, SHINEWING and reviewing any non-audit services performed by the SHINEWING. The remunerations paid to the external auditors for the provision of services during the Year are set out as follows:

	HK$'000
Audit services	1,150
Non-audit services	100

The non-audit services during the Year provided by the external auditors included interim review.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The legal & compliance department ("**L&C**") of the Group is responsible for setting and monitoring internal control systems, policies and procedures to ensure the Group's compliance with the relevant and latest laws, rules and regulations. L&C also manages against material legal and compliance risks associated with the business activities of the Group.

The Group's risk management mechanism is also embodied by the three lines of defence for risk management. All executing units serve as the main responsible parties for their respective business risks and are taken as the front line and also the first line of defence for risk management. L&C and the Group's risk control department ("**RCM**") together constitute the second line of defence for risk management. Different from the business supporting units, L&C and RCM perform their management functions independently of the business units. Charged with the major duty of independent oversight of risks, L&C is responsible for managing compliance risks, whereas RCM is tasked with overall management of financial risks. The Group's internal audit department ("**IA**") instead serves as the third line of defence.

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and has reviewed their effectiveness periodically through the Audit Committee.

The internal control system has been reviewed on an ongoing basis throughout the Year by the Audit Committee, as delegated by the Board, in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is of the view that the system of internal control adopted for the Year is sound and is effective to safeguard the interests of the shareholders, customers and the Group's assets.

INTERNAL AUDIT

The Company has an internal audit function. Pursuant to the audit charter that approved by the Audit Committee and the mission statement stipulates in the audit standard manual, IA provides independent and reasonable assurance that the Group's governance, risk management and internal control processes as designed and implemented by management are adequate and effective. IA reports on the adequacy of system of internal controls to the Audit Committee and management. IA adopts a risk-based approach and in accordance with the internal audit plan approved by the Audit Committee, to conduct independent reviews on areas which is prioritized according to an assessment of current and emerging risks, including financial, operational, compliance and technology risks. Ad hoc reviews will also be conducted on areas of concern identified by the Audit Committee and management when necessary. Results of audit work and the assessment of the overall risk management of areas concerned are reported to the Audit Committee and management at least twice a year. IA follows up closely on the rectification progress to ensure that the recommendations made in internal audit reports are properly implemented.

RISK MANAGEMENT

During the Year, the senior management was responsible for maintaining and reviewing the effectiveness of the Group's risk control. The risk control is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business.

The senior management is primarily responsible for the design, implementation and maintenance of the risk control to safeguard the Shareholders' investment and assets of the Group.

The senior management monitors the business activities closely and reviews regular risk control reports. Proper controls are in place for the recording of complete, accurate and timely management information.

The procedures of the Group's risk management and internal control systems are as follows:

For risk management

- Identification: Identify risks, business objectives and risks that could affect the achievement of objectives. Major risks affecting the operation of the Company include market risk, credit risk, liquidity risk and operational risk.

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to changes in market prices, interest rates and exchange rates, which mainly exists in the proprietary business and asset management business and other investment-related business of the Group. The Company implemented the risk control indicators such as the scale of risk exposure, concentration and limit of loss to prevent excess risk taken on investment.

Credit risk refers to the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group. The Company's credit exposure mainly relates to financial assets under margin financing, fixed income financial assets, securities lending arrangement and securities and futures brokerage business. The Company has used risk management system to evaluate and monitor the credit risks for clients on real time basis so as to prevent excessive risk concentration that would affect the credit exposure of clients, and identify, report and deal with risk of default as early as possible.

Liquidity risk refers to the risk resulting from the failure to make payment, settlement, reimbursement, redemption and to meet obligations in connection with financial liabilities due to shortage of funds in the ordinary course of business of the Company. In order to manage liquidity risk effectively, the Company has strengthened monitoring and management of usage of large amounts of funds in order to achieve centralized fund allocation.

Operational risk refers to the risk of incurring losses resulting from the inadequacy or defect of internal process, personnel or systems, or from such external events as natural disaster and fraud. In order to manage operational risk effectively, the Company has set up a well-established internal control system and regularly carried out effective assessment of internal control and compliance management throughout the Company.

- Evaluation: Risk management is a continuous process carried out at all levels of the Group. After identifying related risks, the Company will analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly in a timely manner.

- Management: Mitigation measures and plans are then developed based on the risks evaluated and the predetermined risk appetite to manage the risks to an acceptable level. Consider the risk responses, ensure effective communication to the Board and ongoing monitor the residual risks.

For internal control:

- Control environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming basis for determining how risks should be managed.

- Control activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and communication: Internal and external communication to provide the Group with the information needed to carry out on day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

The aforesaid departments responsible for the internal controls and risk management systems shall report to the Board, and the Board acknowledges that it is responsible for the Group's overall risk management and internal control systems and reviewing their effectiveness. Nonetheless, such internal controls and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, or through the Audit Committee, has conducted at least one review on the risk management and internal control systems for the year ended 31 December 2023 and has discussed with the management to ensure that the management has performed its duty to have effective systems. The Board is of the view that the internal control and risk management systems of the Group are effective and adequate.

DISSEMINATION OF INSIDE INFORMATION

The Group has complied with the relevant requirements for disseminating inside information as defined under the Securities and Futures Ordinance so as to ensure inside information is promptly identified and escalated. Directors and senior management of the Group received relevant trainings to ensure inside information remain confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

COMPANY SECRETARY

The company secretary is responsible for facilitating the Board's procedures and communication among Board members and between the Board and shareholders and management, and making recommendations to the Board and its committees on all matters relating to governance and corporate social responsibility. Ms. LI Peihua, the company secretary of the Company, is a full-time employee of the Company and has confirmed that, in compliance with Rule 3.29 of the Listing Rules, she took no less than 15 hours of relevant professional training during the Year.

COMMUNICATION WITH SHAREHOLDERS

The Group has been devoted to maintain effective communications with the Shareholders and the general public with an aim to improving the transparency of the Group and to provide them with channels to appraise the position of the Group. 2023 AGM was held on 21 June 2023. The Chairman of the Board, the chairmen of the audit, remuneration and nomination committees, all the members of the Board and the external auditor were present at the 2023 AGM to answer the questions from the Shareholders. Each substantially separate issue was dealt with in a separate resolution so that the Shareholders were able to comprehend the matter easily. Issues were voted on by poll.

Annual and interim reports and any significant events of the Company fall to be disclosed in accordance with the disclosure requirements under the Listing Rules and other applicable regulatory requirements have been published in a timely manner through the websites of the Company and HKEXnews.

The Company has adopted a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness. The purpose of this policy is to ensure the Shareholders be provided with prompt and equal access to information about the Company (including but not limited to its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company. The Shareholders' communication policy is currently posted on the Company's website.

During the Year, the Board reviewed the implementation and effectiveness of the Shareholders' communication policy. The Company's website was updated on a regular basis to maintain an effective ongoing communication with the Shareholders. Information published by the Company on HKEXnews was also posted on the Company's website immediately thereafter. Shareholders were provided with the opportunities to communicate with the Directors and senior management directly at general meetings. Based on the above, the Board was of the view that the Shareholders' communication policy was effective.

DIVIDEND POLICY

The Company has adopted a dividend policy setting out the principles for the Board to reference when it considers a recommendation and/or declaration of dividend.

CORPORATE GOVERNANCE REPORT

The Board may propose to recommend to the Shareholders and/or declare dividend after taking into consideration of, inter alia, (i) the actual and expected financial performance of the Group for the financial year; (ii) the Group's current and expected working capital requirements and future business plan; (iii) general economic conditions, business cycle and other factors that the Board reasonably considers may have an impact on the business performance of the Group; and (iv) such other factors which the Board may consider appropriate. The declaration of dividends or recommendation on such payment shall be subject to all applicable laws, rules and regulations including but not limited to the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the applicable laws of Bermuda and the memorandum of association and bye-laws of the Company (the "**Bye-laws**").

SHAREHOLDERS' RIGHTS

The Company holds an annual general meeting every year and may hold a general meeting known as a special general meeting whenever necessary. Pursuant to Bye-law 58 of the Company's Bye-laws, Shareholders holding 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 depositing a written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner.

Proposals at Shareholders' meetings can be put forward by the members of the Company holding at the date of the submission of the proposals not less than one-tenth (10%) of such of the paid-up capital of the company as at the date of the submission carries the right of voting at general meetings of the Company. The submission of the proposals must be made within three (3) business days after a notice of the Shareholders' meeting has been served to all registered Shareholders by the Board. The proposals must be written and must state the objects of the proposals, and must be signed by the proposers, and mailed and deposited at 14/F, One Hysan Avenue, Causeway Bay, Hong Kong for attention of the company secretary of the Company; and may consist of several documents in like form, each signed by one or more proposers. The Company will verify the requisition and upon confirmation that the requisition is proper and in order, the Board will update the resolutions by serving sufficient notice in accordance with the statutory requirements to all registered Shareholders, provided that the proposers have deposited a sum of money reasonably sufficient to meet the Company's expenses involved in publishing supplementary circular and updating related resolutions. Alternatively, if the requisition has been verified as not in order, the proposer will be advised of this outcome and accordingly, no resolution will be updated as requested.

The Group values feedback from Shareholders on its efforts to promote transparency and foster investor relationships. Shareholders' enquiries, comments and suggestions to the Board or the Company are welcome and can be addressed to the company secretary by mail to 14/F, One Hysan Avenue, Causeway Bay, Hong Kong.

INVESTOR RELATIONS

At the 2023 AGM, a special resolution was passed to amend the Bye-laws in order to bring the Bye-laws in alignment with the Core Shareholder Protection Standards set out in Appendix A1 to the Listing Rules. Other minor amendments to the Bye-laws were also made to introduce corresponding as well as house-keeping changes. The Company's amended memorandum of association and Bye-laws can be found on the websites of the Company and HKEXnews. Save for the aforesaid, during the Year, there was no change in the Company's memorandum of association and Bye-laws.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Huang Changsheng (黄昌盛), aged 44, was appointed as an executive director and authorised representative of the Company with effect from 12 April 2022 and Chief Executive Officer of the Company with effect from 24 November 2023. He performed the duties of the chairman of the Board and was appointed as a member of each of the remuneration committee and the nomination committee of the Company with effect from 14 March 2024. He is also a director of certain subsidiary of the Group. Mr. Huang is a certificated public accountant and a registered sponsor representative in the PRC, with extensive experience in the financial industry. Mr. Huang obtained a bachelor's degree in economics from Chongqing Technology and Business University (重慶工商大學) in June 2001 and a master's degree in management from Chongqing University in June 2005. Mr. Huang successively worked at China Mobile Group Chongqing Company Limited, Guorong Securities Co., Ltd. and Chongqing Share Transfer Center Co., Ltd. from 2005 to 2012. From 2012 to 2022, he served as a senior manager, business team leader and deputy general manager of the NEEQ department of SWSC, and became the deputy general manager of the first division of the western department of investment banking of SWSC, Ltd and was responsible for leading the department work.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MENG Gaoyuan (蒙高原), aged 52, has been appointed as an independent non-executive Director, the chairman of audit committee, a member of the remuneration committee and the nomination committee since 27 January 2015. Mr. Meng has been qualified as certificated public accountant in the PRC since 1997. He has also been qualified as a certified public valuer and a registered land valuer since 1998 and 2006 respectively. Mr. Meng served in Chongqing Kanghua Certified Public Accountants LLP* (重慶康華會計師事務所(特殊普通合夥)) as, respectively, a department senior manager, deputy general manager, the chairman of the board and the chief partner since September 1998. Mr. Meng graduated from Jiangxi College of Finance and Economics* (江西財經學院) (now known as Jiangxi University of Finance and Economics) in the PRC with a bachelor degree majoring in finance, accounting and auditing in July 1994. He obtained a master of business administration degree from Chongqing University of Technology. He has abundant experience in accounting, audit and finance.

Mr. LIANG Jilin (梁繼林), aged 67, has been appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company since 1 July 2020 and as the chairman of the nomination committee since 12 April 2022. Mr. Liang acted as the deputy general manager of CCCG Real Estate Corporation Limited* (中房地產股份有限公司) (now known as CCCG Real Estate Co., Ltd. (中交地產股份有限公司), SZSE stock code: 000736) from June 2009 to September 2015 and later became the chief economist from September 2015 to September 2016. Mr. Liang consecutively served as the deputy general manager, general manager, chairman of the board of directors, branch secretary of Party and legal representative of Shenzhen Zhongzhu Huizhi Industrial Co., Ltd.* (深圳市中住匯智實業有限公司) (now known as CCCG Real Estate Corporation Limited* 中交地產產業發展有限公司) from March 1999 to October 2016. He was the chairman of the board of directors of Shenzhen Huahui Storage Co., Ltd.* (深圳市華匯倉儲有限公司) from October 2001 to December 2005. Mr. Liang graduated from Chief of Staff of Army College of the Chinese People's Liberation Army* (中國人民解放軍陸軍參謀學院) with a bachelor's degree in military science in July 1994, majoring in military theory, and obtained the qualification of Senior Schemer of China Scheming Research Institute in February 2005.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cao Ping (曹平), aged 56, has been appointed as an independent non-executive director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company since 1 November 2022. Mr. Cao is currently a solicitor, partner and director of Chongqing Senswins Solicitors (重慶盛世文輝律師事務所). He was re-elected as the chairman of the Chongqing Branch of the British Chamber of Commerce Southwest China, and the director of foreign-related professional committee of the Chongqing Lawyers Association and WTO. Mr. Cao has been the director of mediation professional committee of the Chongqing Lawyers Association since 2020; he has been the secretary-general of the Chongqing Liangjiang International Business Mediation Centre (重慶市兩江國際商事調解中心) since 2021. After obtaining a master's degree in English from Sichuan International Studies University in 1992, Mr. Cao obtained the qualification to practice law in China in 1995. In 1999, he attended the School of Oriental and African Studies at the University of London and received his training at Clifford Chance, Fountain Court Chambers, and Gallant in Hong Kong. Since then, Mr. Cao has served as a solicitor and partner of Z & Z Law Firm in Chongqing, a solicitor in the Guangzhou representative office of Pinsent Masons in United Kingdom, and a solicitor in the Shanghai representative office of Cameron Mckenna. Mr. Cao continued his studies at Temple University Beasley School of Law in the United States and Tsinghua University in 2015 and became a member of the All China Lawyers Association's leading foreign lawyer talent pool in 2015. He joined the All China Lawyers Association's One Belt One Road Lawyers Expert Bank in 2016. Mr. Cao has over 20 years of rich experience in foreign-related legal affairs, international finance, foreign trade, energy, domestic and foreign infrastructure, real estate development and other fields.

SENIOR MANAGEMENT

Mr. FEI Zheng (費峥), aged 43, is the vice president of the Group and a director of certain subsidiaries of the Group. He joined the Group in 2015, and consecutively served as head of the Human Resources Department, head of the Administration Department and president assistant of the Group. He is currently the vice president of the Group (cum head of the Human Resources Department and head of the Administration Department) in charge of the Human Resources Department, the Administration Department, the Company Secretarial and Corporate Communications Department and the Information Technology Department of the Group. Mr. Fei graduated from Chengdu University of Information Technology in July 2003 with a bachelor's degree, majoring in communication engineering. Before joining the Group, Mr. Fei once served in Toshiba Home Appliance Sales (Nanhai) Co., Ltd.* (東芝家用電器銷售(南海)有限公司) as head of the Administration and Human Resources Department, and then joined SWSC in 2013, where he was in charge of performance management at the human resources department.

Mr. CHEUNG Hei Choi (張喜財), aged 53, is the chief compliance officer and chief risk control officer of the Group. Mr. Cheung joined the Group in January 2020 as the co-head of Legal and Compliance Department, and he becomes the head of Legal and Compliance Department since the mid-April 2020, the chief compliance officer and chief risk control officer of the Group since June 2020. He is currently in charge of the Legal and Compliance Department and Risk Control Department of the Group. Mr. Cheung has worked for an international accountancy firm, the Stock Exchange of Hong Kong Limited and a well-known mainland-based securities house for over 20 years and is experienced in the field of auditing and compliance in the financial services industry. Mr. Cheung obtained a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University. He is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The board of directors (the "**Board**" or the "**Directors**") submit their report together with the audited consolidated financial statements of the Southwest Securities International Securities Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2023 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

An analysis of the Group's performance for the Year by business segment is set out in note 4 to the consolidated financial statements. The activities of the Group are mainly carried out in Hong Kong.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 73 to 74.

The Directors do not recommend the payment of a final dividend for the Year *(2022: Nil)*.

BUSINESS REVIEW

Business review of the Group for the Year is set out in the Board of Directors' Statement and Management Discussion and Analysis on pages 4 and 7 of this report respectively.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Year, there were no material and significant disputes between the Group and its employees, customers and suppliers.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operating in compliance with the applicable environmental laws as well as protecting the environment by minimizing the negative impact of the Group's existing business activities on the environment. Details are set out in the Environmental, Social and Governance Report on pages 14 to 39 of this report.

RESERVES

Movements in reserves of the Group and of the Company during the Year are set out in the consolidated statement of changes in equity on page 77 and note 34(c) to the consolidated financial statements of this report respectively.

As at 31 December 2023, the reserves of the Company available for distribution to the Shareholders amounted to HK$Nil *(2022: HK$Nil)*.

DONATIONS

During the Year, the Group made charitable and other donations amounted to HK$8,055 *(2022: HK$6,000)*.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 10 to the consolidated financial statements.

DEBT SECURITIES

Issue of Bonds in February 2021

On 9 February 2021, the Company issued U.S. Dollar — denominated bonds in aggregate principal amount of US$178,000,000 (the "**2021 USD Bonds**") and raised proceeds of approximately US$178,000,000 before expenses. The issue price of the 2021 USD Bonds is 100% of its principal amount. The 2021 USD Bonds bore interest from 9 February 2021 (inclusive) at the rate of 4.00% per annum, payable semi-annually in arrears. The 2021 USD Bonds were previously listed on the Stock Exchange (Previous Bond Stock Code: 40594) and were delisted upon maturity on 9 February 2024 with the outstanding principal and interest paid at the maturity date. The Company used the net proceeds from the 2021 USD Bonds issuance for refinancing the US$200,000,000 6.90% bonds due 17 April 2021 issued by the Company. The 2021 USD Bonds were partially repurchased from April to October 2022 and in April 2023. Details of the 2021 USD Bonds were set out in the announcements of the Company dated 1 February 2021, 4 February 2021 and 9 February 2021. For detail's of the repurchase, please refer to the announcements of the Company dated 15 June 2022, 25 August 2022, 20 October 2022 and 20 April 2023.

Details of the Company's bonds issued are set out in note 19 to the consolidated financial statements.

ISSUE OF PERPETUAL SECURITIES IN OCTOBER 2019

On 15 October 2019, the Company issued perpetual securities in aggregate principal amount of HK$580,000,000 (the "**Perpetual Securities**") and raised proceeds of HK$580,000,000 before expenses. The issue price is 100% of the principal amount of the Perpetual Securities. The Company used the net proceeds from the Perpetual Securities issuance of approximately HK$579.6 million for working capital. Details of the Perpetual Securities were set out in the announcements of the Company dated 8 October 2019 and 15 October 2019.

Details of the Company's perpetual securities issued are set out in note 25 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 150 of this report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In April 2023, the Company had completed an on-market repurchase and cancellation of 2021 USD Bonds (Former Bond Stock Code: 40594) with an aggregate principal amount of US$10,000,000 representing approximately 5.62% of the initial aggregate principal amount of the 2021 USD Bonds. Immediately after the completion of the cancellation, the aggregate outstanding principal amount of the 2021 USD Bonds was US$92,500,000, representing approximately 51.97% of the initial aggregate principal amount of the 2021 USD Bonds. The USD 2021 Bonds was fully redeemed on the maturity date (i.e. 9 February 2024). For details of the repurchase of the 2021 USD Bonds, please refer to the Company's announcement dated 20 April 2023. Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Year.

DIRECTORS

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

Executive Directors:	Mr. HUANG Changsheng *(Chief Executive Officer)* *(appointed as Chief Executive Officer on 24 November 2023)* Mr. ZHANG Hongwei *(resigned on 14 March 2024)*
Independent Non-executive Directors:	Mr. MENG Gaoyuan Mr. LIANG Jilin Mr. CAO Ping

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. HUANG Changsheng and Mr. LIANG Jilin will, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "**AGM**").

DIRECTORS' REPORT

Directors of Subsidiaries

Other than the Directors named under "DIRECTORS" above, the persons who have served on the boards of the subsidiaries of the Company during the Year and up to the date of this report included Mr. FEI Zheng, Ms. DENG Xiaoting, Mr. TONG Shing Johnson, Mr. XU Shunfei, Mr. WONG Chak Sang, Ms. Randy TSUI, Ms. CHENG Song and Mr. Darren Riley.

PERMITTED INDEMNITY PROVISION

During the Year and up to the date of this report, pursuant to the Bye-laws, subject to the statutes, every Director shall 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 shall or may incur or sustain by reason of any act done in or about the execution of their duty or otherwise in relation thereto. The Group has arranged appropriate insurance which covers legal actions brought against the Directors and directors of the subsidiaries of the Group. The coverage and amount of such policy are reviewed annually.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into nor is proposing to enter into a service contract with the Company or its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation. Details of the Directors' emoluments are set out in note 7(a) to the consolidated financial statement of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out in the section "BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT" on pages 55 to 56 of this report.

RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are set out in note 28 to the consolidated financial statements. These transactions did not fall under the definition of connected transaction or continuing connected transaction in Chapter 14A of the Listing Rules.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Related Party Transactions" of this report, no transaction, arrangement or contract of significance to which the Company or its holding companies or controlling shareholders or any of its respective subsidiaries was a party and in which a Director of the Company or an entity connected with a Director of the Company is or was materially interested, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

On 31 January 2024 (after trading hours), the Company as the borrower and Southwest Securities International Investment Limited ("**SSII**") as the lender entered into a loan agreement, pursuant to which SSII as the lender agreed to offer an unsecured term loan (the "**SSII Loan**") in the amount of no more than HK$120,000,000 or equivalent to the Company as the borrower. As SSII is the controlling shareholder of the Company which is interested in approximately 74.10% of the issued share capital of the Company, the provision of the SSII Loan constituted a connected transaction of the Company under the Listing Rules. As the SSII Loan was on normal commercial terms or better and was not secured by the assets of the Group, the transaction was fully exempted from reporting, announcement, shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules. For details of the SSII Loan, please refer to the announcement of the Company dated 31 January 2024.

Save as disclosed above in the sections headed "Related Party Transactions" of this report, no contract of significance (i) between the Company (or any of its subsidiaries) and its controlling shareholder (or any of its subsidiaries); or (ii) for the provision of services to the Company (or any of its subsidiaries) by its controlling shareholder (or any of its subsidiaries) subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors was interested in businesses which compete or are likely to compete with the Group's businesses of brokerage and margin financing, corporate finance, asset management and proprietary trading.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Apart from those disclosed in the "Share Option Scheme" below or in note 26 to the consolidated financial statements, no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the "Share Option Scheme" below and in note 26 to the consolidated financial statements, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors, their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company, its controlling shareholder or their respective subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse or children under the age of 18 to acquire such rights.

DIRECTORS' REPORT

SHARE OPTION SCHEME

2013 Share Option Scheme

At the annual general meeting of the Company held on 12 November 2013, the Shareholders approved the adoption of a new share option scheme (the "**2013 Share Option Scheme**"). The summary of the 2013 Share Option Scheme is as follows:

1. The purposes of the 2013 Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.

2. The participants of the 2013 Share Option Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.

3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company, unless shareholders' approval has been obtained in general meeting.

4. Share options may be exercised in accordance with the terms of the 2013 Share Option Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.

5. No consideration for the grant of an option is required to be paid upon acceptance of the option.

6. The Company may specify a minimum holding period which must be achieved before the options can be exercised by the participants.

7. The exercise price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.

8. The 2013 Share Option Scheme was valid and effective for 10 years from the date of adoption and has expired on 11 November 2023.

9. The total number of shares available for issue is 119,147,600 shares, representing 10% of total number of shares in issue as at the date of adoption of the 2013 Share Option Scheme on 12 November 2013.

10. During the Year and as at the date of this report, there was no outstanding share option and no share option was granted, exercised, cancelled or lapsed under the 2013 Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, none of the Directors, the chief executives and their associates of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules on the Stock Exchange.

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

As at 31 December 2023, substantial shareholders of the Company and other persons (other than Directors and chief executives of the Company whose interests or short positions have been disclosed above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO and to the best knowledge of the Company are as follows:

Interests in long positions in the ordinary shares of the Company (the "Shares")

Name of shareholders	*Note*	Capacity and nature of interest	Number of Shares held	Approximate % of the issued voting Shares
Southwest Securities International Investment Limited ("**SSII**")	*1*	Beneficial owner	2,713,469,233	74.10%
SWSC	*1*	Interest of controlled corporation	2,713,469,233	74.10%

Note:

1. SSII is wholly owned by SWSC. SWSC is therefore deemed, or taken to be, interested in all Shares which SSII is interested for the purpose of the SFO.

Save as disclosed above, as at 31 December 2023, the Company had not been notified of any persons (other than Directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO or would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum of association or Bye-laws or the applicable laws of Bermuda that would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holdings of shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the percentage of the Group's turnover (excluding net results from proprietary trading) attributable to the Group's largest client and the five largest clients in aggregate were 69.5% and 95.5% respectively. None of the Directors of the Company; or any of their close associates; or any shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's total issued shares) had any beneficial interest in any of the Group's five largest customers.

The Group has no major supplier due to the nature of principal activities of the Group.

ADVANCE TO AN ENTITY

On 13 February 2018, Southwest Securities (HK) Brokerage Limited (西證(香港)證券經紀有限公司), a wholly-owned subsidiary of the Company (the "**Lender**") advanced to Jaguar Asian Limited (a company incorporated under the laws of the British Virgin Islands with limited liability, the "**Borrower**") a secured security margin loan facility of up to HK$270 million (the "**Loan**"). The repayment date of the Loan was extended from 13 February 2019 to 28 April 2019 on 13 February 2019 by way of an amendment deed.

On 16 October 2019, the Lender entered into a restructuring deed (the "**Restructuring Deed**") of even date with the Borrower and the relevant guarantors to, amongst others, extend the repayment date of the outstanding amounts under the facility as follows:

(i) as to HK$10,000,000 on or before the date falling three days after the date of the Restructuring Deed and as to HK$20,000,000 on or before the date falling thirty days after the date of the Restructuring Deed, in respect of which HK$19,084,932 is to be applied towards repayment of the interests accrued from 13 February 2019 up to and including 15 September 2019 and HK$10,915,068 towards repayment of the Loan;

(ii) as to HK$30,000,000 on or prior to the date falling six months of the date of the Restructuring Deed, which is to be applied towards repayment of the Loan;

(iii) as to HK$50,000,000 on or prior to the date falling nine months of the date of the Restructuring Deed, which is to be applied towards repayment of the Loan; and

(iv) as to the balance of the Loan and all other sums payable on or before the date falling twelve months of the date of the Restructuring Deed.

As at 31 December 2023 and as at 31 March 2024, the outstanding amount of Loan and interest were approximately HK$602.9 million and approximately HK$633.0 million, respectively, with an interest rate of 12% per annum and default interest rate 20% per annum, and were secured by a charge over 588,720,412 ordinary shares in the issued share capital of Yi Hua Holdings Limited (the issued shares of which were delisted from the Main Board of the Stock Exchange on 21 March 2022) beneficially owned by the Borrower.

Details of the Loan are set out in the announcements of the Company dated 14 February 2018, 13 February 2019, 16 October 2019 and 28 August 2020.

On 16 October 2020, the Lender initiated civil litigation (the "**Litigation**") in the PRC against (1) Mr. Chen Da Ren (陳達仁); (2) Zhaoqing Jiazhou New City Real Estate Industry Development Company Limited* (肇慶市加洲新城房地產實業開發有限公司) ("**Zhaoqing Jiazhou**"); and (3) Jiangmen Jinhui Century Plaza Property Management Company Limited* (江門市金滙世紀廣場物業管理有限公司) ("**Jiangmen Jinhui**") to recover the Loan advanced to the Borrower together with the relevant interest. Each of Mr. Chen Da Ren, Zhaoqing Jiazhou and Jiangmen Jinhui is a guarantor of the Loan.

On 14 July 2021, the Lender initiated an arbitration in the PRC ("**Arbitration**") against (1) Zhenjiang Hualong Plaza Real Estate Co., Ltd. * (鎮江華龍廣場置業有限公司) ("**Zhenjiang Hualong**"); and (2) Zhenjiang Yihao Real Estate Co., Ltd.* (鎮江逸豪置業有限公司) ("**Zhenjiang Yihao**") to recover the Loan advanced to the Borrower together with the relevant interest. Each of Zhenjiang Hualong and Zhenjiang Yihao is a guarantor of the Loan.

On 19 October 2020, the Litigation was accepted by the Intermediate People's Court of Jiangmen City, Guangdong Province* (廣東省江門市中級人民法院). On 28 July 2021, the Arbitration was accepted by Shanghai Arbitration Commission (上海仲裁委員會).

As at the date of this report, the Intermediate People's Court of Jiangmen City, Guangdong Province, has issued a first-instance judgment in favor of the Lender's main litigation claims, and the first-instance judgment has taken effect. While Shanghai Arbitration Commission has issued the arbitration award that denied all the claims of the Lender. Further legal measures have been taken by the Lender to revoke the said arbitration award and recover the Loan.

The Company will make further announcements in due course to inform the Shareholders and potential investors of the Company of any further significant development in the Litigation or Arbitration and the recovery of the Loan.

As of 31 December 2020, the Company had made full impairment provision in respect of the Loan.

PRINCIPAL RISKS AND UNCERTAINTIES

The main financial risks for the Group include interest rate risk, credit risk, foreign currency risk, liquidity risk and equity price risk. Details of the main risks and relevant risk management are set out in note 30 to the consolidated financial statements.

Other major risks of the Group include market rise and operational risk. Details of the market risk and operational risk and relevant risk management are set out in the "RISK MANAGEMENT" on pages 51 to 52 of this report.

The principal risks and uncertainties facing the Group for the Year can be found in the sections "BOARD OF DIRECTORS' STATEMENT" and the "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 4 to 13 of this report.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

* translation for reference only

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 40 to 54 of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by SHINEWING (HK) CPA Limited ("**SHINEWING**"). SHINEWING was appointed as auditor of the Company on 28 July 2021 after the resignation of Ernst & Young. For details of the change of auditors, please refer to the announcements of the Company dated 8 July 2021 and 28 July 2021. SHINEWING will retire and a resolution to re-appoint SHINEWING as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Huang Changsheng
Executive Director and Chief Executive Officer

Hong Kong, 22 March 2024

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

To the shareholders of
Southwest Securities International Securities Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Southwest Securities International Securities Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 73 to 149, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, 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 (the "**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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of *Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1(b) to the consolidated financial statements, which indicates that the Group incurred a consolidated loss of approximately HK$15,943,000 for the year ended 31 December 2023, had net current liabilities of approximately HK$37,990,000 and capital deficiency of approximately HK$37,077,000 as at 31 December 2023, which was mainly attributable to the bond payable of approximately HK$722,422,000 that would be due for repayment on 9 February 2024, while its cash and bank balance amounted to only approximately HK$603,964,000 as at 31 December 2023.

As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Impairment assessment on accounts receivable arising from securities margin clients

Refer to Note 16 to the consolidated financial statements and the accounting policies on pages 92 to 95.

Key audit matter

As at 31 December 2023, gross accounts receivable arising from securities margin clients and its accumulated expected credit losses ("**ECL**") allowance amounted to approximately HK$533,509,000 and approximately HK$533,504,000 respectively. The reversal of ECL allowance for accounts receivable arising from securities margin clients recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 amounted to approximately HK$1,793,000.

We have identified the impairment assessment on accounts receivable arising from securities margin clients as a key audit matter since it involves significant management judgement and estimates in the identification of significant increase in credit risk, the use of models and the choice of inputs and assumptions in the calculation of ECL allowance at the reporting date, such as probability of default, loss given default, exposure at default, amongst others.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also includes the development of forward-looking analysis.

How the matter was addressed in our audit

Our procedures in respect of ECL allowance for accounts receivable arising from securities margin clients included the following:

- We obtained an understanding of the Group's credit risk management practices and assessed the Group's credit provisioning policy;

- We tested the appropriateness of the Group's determination of significant increase in credit risk and the basis for classification of exposures into the three stages. Our testing included checking to margin loan overdue information, loan-to-value percentage and other related information;

- We evaluated management's judgment and assumptions, and checked key parameters to external data sources, where available, such as default rates published by credit rating agencies. Besides, we also recalculated the ECL allowance based on the above parameters and analysed the sensitivity of the ECL allowance to changes in modelling assumptions, including the forward looking probability weighted economic scenarios. In addition, we also assessed the loss allowance with reference to the fair values of the collaterals and other sources of cash flows, and developed a reasonable range of expected cash shortfall for comparison with the Group's estimation of ECL allowance;

- We evaluated the Group's disclosures in relation to credit risk associated with accounts receivable arising from securities margin clients in note 30.

INDEPENDENT AUDITOR'S REPORT

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 OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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. Cheung Wang Kei.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Cheung Wang Kei
Practising Certificate Number: P07788

Hong Kong
22 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	*3*	**31,192**	(102,042)
Other income and gains	*5*	**24,886**	8,051
		56,078	(93,991)
Fee and commission expenses		**(225)**	(3,756)
Finance costs	*6a*	**(31,756)**	(57,578)
Staff costs (including director's and chief executive's emoluments)	*6b*	**(25,626)**	(42,553)
Depreciation of fixed assets and right-of-use assets		**(804)**	(16,524)
Expected credit losses on financial assets, net		**1,890**	1,512
Other operating expenses		**(15,500)**	(28,784)
Fair value gains arising from investment fund		**–**	440
Loss before tax	*6*	**(15,943)**	(241,234)
Income tax credit	*8*	**–**	96
Loss for the year		**(15,943)**	(241,138)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of consolidated investment fund		**–**	84
Release of exchange reserve upon redemption of consolidated investment fund		**–**	154
Other comprehensive income for the year		**–**	238
Total comprehensive expense for the year		**(15,943)**	(240,900)

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			
— the equity shareholders of the Company		**(15,943)**	(241,138)
— the holder of other equity instrument		**–**	–
		(15,943)	(241,138)
Total comprehensive expense for the year attributable to			
— the equity shareholders of the Company		**(15,943)**	(240,900)
— the holder of other equity instrument		**–**	–
		(15,943)	(240,900)
Loss per share			
— Basic *(HK cents)*	*9*	**(0.435)**	(6.585)
— Diluted *(HK cents)*	*9*	**(0.435)**	(6.585)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Fixed assets	*10*	**613**	1,267
Right-of-use assets	*12*	**–**	150
Intangible assets	*11*	**–**	–
Financial assets at fair value through other comprehensive income	*13*	**–**	–
Other non-current assets	*14*	**300**	400
		913	1,817
Current assets			
Financial assets at fair value through profit or loss	*15*	**99,090**	372,713
Accounts receivable	*16*	**678**	47,726
Prepayments and other receivables	*17*	**5,072**	8,589
Cash and bank balances	*18(a)*	**603,964**	378,104
		708,804	807,132
Current liabilities			
Bond payable	*19*	**722,422**	–
Other payables and accrued charges	*20*	**15,163**	18,457
Provisions	*21*	**9,209**	13,185
Lease liabilities	*12*	**–**	941
		746,794	32,583
Net current (liabilities) assets		**(37,990)**	774,549
Total assets less current liabilities		**(37,077)**	776,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current liability			
Bond payable	*19*	–	797,500
		(37,077)	(21,134)
Capital and reserves			
Share capital	*24*	**366,182**	366,182
Reserves		**(983,259)**	(967,316)
Other equity instrument	*25*	**580,000**	580,000
		(37,077)	(21,134)

The consolidated financial statements on page 73 to 149 were approved and authorised for issue by the Board of Directors on 22 March 2024 and are signed on its behalf by:

HUANG Changsheng
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity shareholders of the Company							
	Share capital HK$'000	Investment revaluation reserve HK$'000	Share premium HK$'000	*Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Holder of other equity instrument HK$'000	Total HK$'000
At 1 January 2023	**366,182**	**(3,301)**	**249,158**	**40,836**	**(1,254,009)**	**(601,134)**	**580,000**	**(21,134)**
Loss for the year and total comprehensive expense for the year	–	–	–	–	(15,943)	(15,943)	–	(15,943)
At 31 December 2023	**366,182**	**(3,301)**	**249,158**	**40,836**	**(1,269,952)**	**(617,077)**	**580,000**	**(37,077)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Investment revaluation reserve HK$'000	Share premium HK$'000	*Capital reserve HK$'000	Foreign exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Holder of other equity instrument HK$'000	Total HK$'000
At 1 January 2022	366,182	(3,301)	249,158	40,836	(238)	(1,012,871)	(360,234)	580,000	219,766
Loss for the year	–	–	–	–	–	(241,138)	(241,138)	–	(241,138)
Exchange difference arising on translation of financial statements of consolidated investment fund	–	–	–	–	84	–	84	–	84
Release of exchange reserve upon redemption of consolidated investment fund	–	–	–	–	154	–	154	–	154
Other comprehensive income for the year	–	–	–	–	238	–	238	–	238
Total comprehensive income (expense) for the year	–	–	–	–	238	(241,138)	(240,900)	–	(240,900)
At 31 December 2022	366,182	(3,301)	249,158	40,836	–	(1,254,009)	(601,134)	580,000	(21,134)

* The capital reserve of the Group represents the difference between the nominal value of the shares issued by the Company for the acquisition of the subsidiaries and the nominal value of the ordinary shares of these subsidiaries in issue as at 30 June 2001 which were converted into deferred non-voting share capital on 11 January 2002.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(15,943)**	(241,234)
Adjustments for:			
Depreciation of fixed assets		**654**	1,773
Depreciation of right-of-use assets		**150**	14,751
Expected credit loss on financial assets, net		**(1,890)**	(1,512)
Gains on disposal of fixed assets	*6(c)*	**–**	(7)
Exchange losses, net	*6(c)*	**976**	9,150
Unrealised fair value gains in derivative financial liabilities	*3*	**–**	(6,739)
Unrealised fair value gains in financial assets at fair value through profit or loss	*3*	**(22,766)**	(27,867)
Other interest income	*5*	**(23,982)**	(5,836)
Interest expenses on lease liabilities	*6(a)*	**2**	707
Other interest expenses	*6(a)*	**31,754**	56,871
Fair value gains arising from investment fund		**–**	(440)
Operating cash flows before movements in working capital		**(31,045)**	(200,383)
Decrease in other non-current assets		**100**	3,000
Decrease in financial assets at fair value through profit or loss		**296,389**	882,683
Decrease in accounts receivable		**48,938**	159,641
Decrease in prepayments and other receivables		**4,046**	6,224
Decrease in derivative financial liabilities		**–**	(8)
Decrease in accounts payable		**–**	(68,669)
Decrease in other payables and accrued charges		**(2,085)**	(1,267)
Decrease in provisions		**(3,976)**	(7,966)
Cash generated from operations		**312,367**	773,255
Tax refund		**–**	2,757
Interest received		**23,453**	5,757
NET CASH GENERATED FROM OPERATING ACTIVITIES		**335,820**	781,769
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		**–**	7
Payment for purchase of fixed assets	*10*	**–**	(1,150)
NET CASH USED IN INVESTING ACTIVITIES		**–**	(1,143)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bonds issued	*18(b)*	**(78,498)**	(592,381)
Interest paid on bonds issued	*18(b)*	**(31,388)**	(62,134)
Distribution to the holder of the other equity instrument		**–**	(4,803)
Capital withdrawal by third party interests in consolidated investment fund	*18(b)*	**–**	(4,968)
Principal portion of lease payments	*18(b)*	**(941)**	(17,032)
Interest paid on lease liabilities	*18(b)*	**(2)**	(707)
Other interest paid	*18(b)*	**–**	(157)
NET CASH USED IN FINANCING ACTIVITIES		**(110,829)**	(682,182)
NET INCREASE IN CASH AND BANK BALANCES		**224,991**	98,444
CASH AND BANK BALANCES AT THE BEGINNING OF YEAR		**378,104**	285,073
Effect on exchange rate changes		**869**	(5,413)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTED BY CASH AND BANK BALANCES	*18*	**603,964**	378,104

The accompanying notes form an integral part of these consolidated financial statements.

GENERAL

Southwest Securities International Securities Limited (the "**Company**") is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The immediate holding company of the Company is Southwest Securities International Investment Limited ("**SSII**"), a private company incorporated in Hong Kong with limited liability and wholly-owned by Southwest Securities Co., Ltd. ("**SWSC**"). SWSC is the ultimate holding company of the Company, which is incorporated in the People's Republic of China (the "**PRC**") with limited liability and its shares are listed on the Shanghai Stock Exchange. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") comprise:

— broking index, unit trusts, investment-linked and insurance products for its clients;

— provision of margin financing, underwriting and placements, corporate finance advisory services and asset management services; and

— trading in securities, equity index, commodity and currency futures contracts for its own account.

These 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 except when otherwise indicated.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION

a. Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). These consolidated financial statements includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

a. Basis of preparation *(Continued)*

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

b. Going concern assumption

The Group incurred a consolidated loss of approximately HK$15,943,000 for the year ended 31 December 2023, had net current liabilities of approximately HK$37,990,000 and capital deficiency of approximately HK$37,077,000 as at 31 December 2023, which was mainly attributable to bond payable of approximately HK$722,422,000 that would be due for repayment on 9 February 2024, while its cash and bank balances amounted to only approximately HK$603,964,000 as at 31 December 2023.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In the preparation of the Group's consolidated financial statements, the directors of the Company (the "**directors**") have considered the on-going cash flow situation and the continuous financial support that might have from SSII covering a period of not less than twelve months from 31 December 2023 and have given careful consideration to the Group's future liquidity and performance and its available sources of financing to continue as a going concern.

After taking into account the following considerations, the consolidated financial statements have been prepared by the directors on a going concern basis:

(i) subsequent to the end of the reporting period, on 9 February 2024, the bond payable was fully settled with the proceeds from the disposal of all the Group's financial assets at fair value through profit or loss of approximately HK$99,042,000 and a shareholder loan from SSII of HK$120,000,000 ("**Controlling Shareholder's Loan**"). The Controlling Shareholder's Loan is unsecured, unguaranteed, interest-bearing at fixed rate of 6.1475% and repayable on or before 31 December 2024;

(ii) the repayment of the Controlling Shareholder's Loan could be negotiated and further agreed upon in writing as stipulated in the Controlling Shareholder's Loan agreement, if necessary; and

(iii) as of the date on which these consolidated financial statements are being approved by the directors, being the controlling shareholder of the Company, SSII also provided a written letter to the Company to confirm its intention to provide adequate financial support to ensure that the Group has sufficient working capital to maintain its operations until 30 June 2025.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

b. Going concern assumption *(Continued)*

Notwithstanding the above, material uncertainties exist that may cast significant doubt on the Group's ability to continue as going concern, which depends on (i) the financial ability of SSII, as being the controlling shareholder of the Company, to ensure the Group is able to continue as a going concern and has sufficient working capital for the Group's requirements till 30 June 2025; and (ii) the final settlement date of the Controlling Shareholder's Loan as further mutually agreed upon with SSII, if necessary.

Should the Group be unable to achieve the above-mentioned measures, it might not be able to continue in business as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected by the directors in the consolidated financial statements.

c. Application of new and amendments to HKFRSs

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

c. Application of new and amendments to HKFRSs *(Continued)*

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

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies in note 1.

d. Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[1]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

The directors anticipate that the application of the above amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information

Basic of consolidation

The consolidated financial statements include the financial statements of the Company and entities, directly or indirectly, controlled by the Company and its subsidiaries. Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's 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 described above.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income or expense of subsidiaries are attributed to the equity shareholders of the Company and the holder of other equity instrument. Total comprehensive income or expense of subsidiaries is attributed to the equity shareholders of the Company and the holder of other equity instrument. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Fixed assets *(Continued)*

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives as set out below from the date on which they are available for use, using the straight-line method. The estimated useful lives 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.

Leasehold improvements	Over the lease term
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicle	5 years

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

Fair value measurement

The Group measures its financial assets at fair value through other comprehensive income ("**FVTOCI**") and financial assets at fair value through profit or loss ("**FVTPL**") at fair value at the end of each reporting period. The Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liabilities at the measurement date.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Fair value measurement *(Continued)*

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels of the fair value hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(i) Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset.

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment loss, if any, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Right-of-use assets are depreciated on a straight-line basis as follows:

Properties	Over the shorter period of lease term and useful life of the underlying asset

The Group presents right-of-use assets is a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Leasing *(Continued)*

The Group as lessee (Continued)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises and measures lease liabilities at the present value of lease payments that are not paid at that date. The lease payments are fixed lease payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The lease liability is presented as a separate line in the consolidated statement of financial position.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at amortised cost (debt instruments *(Continued)*

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

Interest income is recognised in profit or loss and is included in the “Other income and gains” line item (note 5).

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to accumulated losses.

Financial assets at FVTPL

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

Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Net gains (losses) from proprietary trading" line item (note 3). Dividends are recognised when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Fair value is determined in the manner described in note 31.

A financial asset is classified as held for trading if:

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

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

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

The Group recognises an allowance for ECLs for all debt instruments measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate at initial recognition. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information (both qualitative and quantitative) that is available without undue cost or effort, including historical and forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

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

General approach (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the forgoing, the Group assumes that the credit risk has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has external credit rating of 'investment grade' in accordance with the globally understood definition, or if an external rating is not available, the asset has an internal rating of 'excellent/good' for accounts receivable arising from securities margin clients and "performing" for other assets. Excellent and good and performing means that the assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired.

The Group regularly reviews individual outstanding amounts depending on individual circumstances or market condition, monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk, and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers a financial asset in default when contractual payments are more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets

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

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

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

General approach (Continued)

Credit impaired financial assets *(Continued)*

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable arising from the provision of corporate finance advisory services which apply the simplified approach as detailed below.

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 assets that are credit-impaired at the reporting date and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable arising from the provision of corporate finance advisory services that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting date. The Group has individually assessed ECLs and applied probability of default based on that of comparable companies, adjusted for forward-looking factors specific to the debtors and the economic environment.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

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

Write-off policy

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

Measurement and recognition of ECLs

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Trust accounts

Trust accounts maintained by the Group to hold clients' monies are treated as off-statement of financial position items and offset against accounts payable.

In the course of the conduct of the regulated activities of ordinary business, subsidiaries which are licensed corporations, act as trustees that result in the holding of clients' monies on behalf of clients and other institutions. These assets are not assets of the Group and, therefore, are not included in its consolidated statement of financial position, and the corresponding amounts classified under accounts payable are treated as items not recognised in the consolidated statement of financial position.

Intangible Assets

Intangible assets acquired separately

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

Intangible Assets are depreciated on a straight-line basis as follows:

Trading rights	Ten years

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Revenue from other sources and other income *(Continued)*

- Step 4: Allocate the transaction price to the performance obligations in the contract.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

A performance obligation represents a service that is distinct or a series of distinct services that are substantially same.

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties.

Provision of brokerage services in securities, futures and options

The performance obligation for commission income on securities dealing is satisfied at a point in time when the customer has received the services from the Group.

Provision of brokerage service in insurance products

The performance obligation relating to the provision of insurance brokerage service is satisfied at a point in time when the terms of the insurance policy have been agreed contractually by the insurer and policyholder, and the insurer has a present right to payment from the policyholder.

Provision of underwriting and placing services

Service income from provision of underwriting and placing services is recognised at point in time when the underlying securities are being written or placed.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Revenue from contracts with customers *(Continued)*

Provision of consultancy and financial advisory services

Advisory fee income from providing specified consultancy and financial advisory services and acting as independent financial adviser are recognised over time as services are performed since the Group has a legally enforceable right to payment for all services provided through the end of the contract or termination date.

For the other remaining advisory services, the performance obligation are satisfied over time as services are rendered if the customer simultaneously receives and consumes the benefits provided by the Group, which is to recognise revenue on a straight-line basis during the service period.

*Provision of initial public offering ("**IPO**") sponsor services*

As IPO sponsor services are usually highly interdependent and interrelated, the Group treats all IPO sponsor services promised in the contract as a single performance obligation. In determining the timing of satisfaction of the performance obligation, the Group examines its services on a contract by contract basis and considers if it has a right to payment at an amount that reasonably compensates it for its performance completed to date at all times throughout the contract. For IPO sponsor fee income being recognised overtime, the Group measures the progress using the output method and estimates the percentage of completion by key tasks performed to date.

Provision of asset management services

Revenue from asset management services is recognised over time as services are rendered if the customer simultaneously receives and consumes the benefits provided by the Group. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and due on a regular basis as mutually agreed.

Revenue from other sources and other income

Referred fee income

The performance obligation relating to the provision of referred fee services is satisfied at a point in time when the customer has received the services from the Group.

Borrowing costs

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Revenue from other sources and other income *(Continued)*

Government grants (Continued)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

On the disposal of a foreign operation (i.e. redemption of the Group's consolidated investment funds), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Impairment on fixed assets, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its fixed asset, right-of-use assets, 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. The recoverable amount of fixed assets, right-of-use assets and intangible assets are estimated individually. 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 unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Impairment on fixed assets, right-of-use assets and intangible assets *(Continued)*

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the 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 the cash-generating unit) in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

Employee benefits

Short term employee benefits

Salaries and bonuses are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for certain of its employees. Under the MPF Scheme, each of the Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000, and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in trustee-administered funds independently.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Employee benefits *(Continued)*

Defined contribution plans (Continued)

The Group also operates a defined contribution staff retirement scheme registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) (the "**ORSO Scheme**") for certain of its employees, the assets of which are held separately from those of the Group in trustee-administered funds independently. The Group contributes 5% to 7% on the eligible employees' basic salaries to the ORSO Scheme, and such contributions are charged to profit or loss as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

*Long service payments ("**LSP**")*

The Group's net obligation in respect of Long service payments ("**LSP**") under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Provisions

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

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

Other equity instrument

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

1. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION *(Continued)*

e. Material accounting policy information *(Continued)*

Taxation

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

Assessable losses differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes Items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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 and interests 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

Current and deferred tax are recognised in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the financial statements. The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 1.

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

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

Deferred tax assets

As at 31 December 2023, a deferred tax assets of HK$118,000 *(2022: HK$118,000)* in relation to unused losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised for unused tax losses of HK$1,402,803,000 *(2022: HK$1,383,043,000)* due to the unpredictability of future profit streams. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses is disclosed in note 22.

Impairment assessment on accounts receivable arising from securities margin clients

The Group calculates ECL allowance for accounts receivable arsing from securities margin clients based on the estimated probability of default of counterparties with similar credit ratings, loss given default and exposure at default, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate.

At the end of each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward- looking information.

The Group considers a financial asset is in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

As at 31 December 2023, the carrying amounts of accounts receivable arising from securities margin clients was approximately HK$5,000 *(2022: HK$124,000)*, net of accumulated ECL allowance of approximately HK$533,504,000 *(2022: HK$536,104,000)*. Reversal of provision of ECL allowance of HK$1,793,000 *(2022: HK$281,000)* on accounts receivable arising from securities margin clients is recognised during the year ended 31 December 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. REVENUE

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

	Note	2023 HK$'000	2022 HK$'000
Total revenue from contracts with customers within the scope of HKFRS 15:	*(i)*		
Brokerage:			
— commission income on securities dealing		**98**	912
— insurance brokerage fee income		**–**	561
		98	1,473
Corporate finance:			
— IPO sponsor fee income		**3,700**	6,230
— underwriting and placing commission income		**1,262**	4,099
— consultancy and financial advisory fee income		**560**	654
		5,522	10,983
		5,620	12,456
Total revenue from other sources			
Interest income calculated using the effective interest method from:			
— margin financing		**5**	810
Net gains (losses) from proprietary trading *(note)*		**25,567**	(115,308)
		25,572	(114,498)
Total revenue		**31,192**	(102,042)

3. REVENUE *(Continued)*

Note:

The amount included the unrealised fair value gains in FVTPL amounted to approximately HK$22,766,000 *(2022: unrealised fair value gains of HK$27,867,000 and unrealised fair value gains in derivative financial liabilities amounted to approximately HK$6,739,000)*.

(i) An analysis of total revenue from contracts with customers within the scope of HKFRS 15 was as follows:

	2023 HK$'000	2022 HK$'000
Analyse by business segment:		
Brokerage		
— services transferred at a point in time	**98**	1,473
Corporate finance		
— services transferred at a point in time	**1,262**	4,099
— services transferred over time	**4,260**	6,884
	5,522	10,983
	5,620	12,456
Analyse by timing of revenue recognition:		
— services transferred at a point in time	**1,360**	5,572
— services transferred over time	**4,260**	6,884
	5,620	12,456

The transaction price allocated to the remaining performance obligations for contracts with customers

As at 31 December 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK$3,700,000 *(2023: HK$nil)*. The amount represents revenue expected to be recognised in the future from IPO sponsor fee income contracts and consultancy and financial advisory fee income contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12 months.

4. SEGMENT INFORMATION

The directors have been identified as the chief operating decision makers ("**CODM**") to evaluate the performance of operating segments based on the Group's internal reporting in respect of these segments. For the purposes of resource allocation and assessment of segment performance, the directors monitor the results attributable to each reportable segment on the following basis:

— Segment revenue represents revenue generated from external customers; and

— Segment results represent the profit or loss incurred by each segment without allocation of certain administration costs, depreciation of fixed assets and certain finance costs.

Segment assets and liabilities are not disclosed as they are not considered to be crucial for resources allocation and thereafter not being regularly provided to the CODM.

Reportable operating segments

The Group's operating business are organised and managed separately, according to the nature of services provided, with each segment representing a strategic business unit that offers services which are subject to risks and returns that are different from those of the other operating segments.

The CODM consider brokerage and margin financing, corporate finance, asset management and proprietary trading are the Group's major operating segments as follows:

Brokerage and margin financing	Provision of brokerage services in securities, unit trust and investment-linked and insurance products; provision of margin financing services
Corporate finance	Provision of IPO sponsor services, underwriting and placing services and consultancy and financial advisory services
Asset management	Provision of asset management services
Proprietary trading	Proprietary trading in securities
Other operations	Other operations segment represents the operating segment which does not meet the quantitative threshold for determining reportable segment that have been aggregated in arriving at the reporting segment

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 1(e).

Inter-segment sales are charged at prevailing market rates.

4. SEGMENT INFORMATION *(Continued)*

Reportable operating segments *(Continued)*

	2023					
	Brokerage and margin financing HK$'000	Corporate finance HK$'000	Asset management HK$'000	Proprietary trading HK$'000	Other operations HK$'000	Consolidated HK$'000
Segment revenue from external customers and Group revenue	103	5,522	–	25,567	–	31,192
Other income and gains	6,704	1	83	–	18,098	24,886
Fee and commission expenses	(223)	(2)	–	–	–	(225)
Finance costs	(1,785)	(901)	(352)	(15,439)	–	(18,477)
Expected credit losses on financial assets, net	1,777	113	–	–	–	1,890
Other operating expenses	(11,961)	(8,283)	(3,355)	(3,081)	(4,603)	(31,283)
Segment results	(5,385)	(3,550)	(3,624)	7,047	13,495	7,983
Unallocated expenses, represented certain administration costs						(9,993)
Unallocated depreciation of fixed assets						(654)
Unallocated finance costs						(13,279)
Loss before tax						(15,943)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. SEGMENT INFORMATION *(Continued)*

Reportable operating segments *(Continued)*

	2022					
	Brokerage and margin financing HK$'000	Corporate finance HK$'000	Asset management HK$'000	Proprietary trading HK$'000	Other operations HK$'000	Consolidated HK$'000
Segment revenue from external customers	2,283	10,983	–	(115,308)	–	(102,042)
Inter-segment revenue	1,388	–	1,514	(84)	–	2,818
Segment revenue	3,671	10,983	1,514	(115,392)	–	(99,224)
Eliminations	(1,388)	–	(1,514)	84	–	(2,818)
Group revenue	2,283	10,983	–	(115,308)	–	(102,042)
Other income and gains	2,535	240	144	151	4,981	8,051
Fee and commission expenses	(1,019)	(8)	–	(2,729)	–	(3,756)
Finance costs	(4,549)	–	–	(41,368)	–	(45,917)
Expected credit losses on financial assets, net	288	1,224	–	–	–	1,512
Fair value gains arising from consolidation investment fund	–	–	–	440	–	440
Other operating expenses	(21,852)	(18,825)	(9,500)	(8,196)	(9,879)	(68,252)
Segment results	(22,314)	(6,386)	(9,356)	(167,010)	(4,898)	(209,964)
Unallocated expenses, represented certain administration costs						(17,836)
Unallocated depreciation of fixed assets						(1,773)
Unallocated finance costs						(11,661)
Loss before tax						(241,234)

4. SEGMENT INFORMATION *(Continued)*

Geographical information

The geographical location of customers is based on the location at which the services were provided. During the years ended 31 December 2023 and 2022, the Group's revenue is derived from customers in Hong Kong. Accordingly, no analysis by geographical segment is provided for revenue.

The geographical location of the non-current assets, other than financial instruments ("**specified non-current assets**"), is based on the physical location of the assets. The principal specified non-current assets of the Group, is based on the location to which they are managed, are also located in Hong Kong. Accordingly, no analysis by geographical segment is provided for non-current assets.

Major customers

During the years ended 31 December 2023 and 2022, the following external customers contributed more than 10% of total revenue of the Group. For major customers' consideration, the total revenue of the Group excludes the net gains (losses) from proprietary trading.

	2023 **HK$'000**	2022 HK$'000
Customer A from corporate finance segment	**3,907**	N/A*
Customer B from corporate finance segment	**899**	N/A*
Customer C from corporate finance segment	**N/A***	3,640
Customer D from corporate finance segment	**N/A***	2,292
Customer E from corporate finance segment	**N/A***	1,500

* The corresponding revenue did not contribute more than 10% of total revenue of the Group in the respective year.

5. OTHER INCOME AND GAINS

	2023 **HK$'000**	2022 HK$'000
Other Income		
Other interest income	**23,982**	5,836
Referral fee income	**644**	–
Government grant *(note)*	**35**	1,487
Handling income	**8**	374
Sundry income	**217**	347
	24,886	8,044
Other gains		
Gains on disposal of fixed assets	**–**	7
	24,886	8,051

5. OTHER INCOME AND GAINS *(Continued)*

During the year ended 31 December 2023, the amount of HK$35,000 represented cash subsidies from the Reimbursement of Maternity Leave Pay Scheme ("**RMLP**") launched by Hong Kong Special Administrative Region Government supporting the additional maternity leave pay to the Company's employee. Under RMLP, the Group has to commit to paid 14 weeks' maturity leave payment to the employee.

During year ended 31 December 2022, the amounts of HK$1,487,000 represented cash subsidies from the Employment Support Scheme ("**ESS**") under Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government supporting the payroll of the Company's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time.

The Group had complied with all attached conditions during the years ended 31 December 2023 and 2022 and does not have other unfulfilled conditions and other contingencies attached to the receipts of the grant.

6. LOSS BEFORE TAX

	2023 **HK$'000**	2022 HK$'000
Loss before tax is arrived at after charging (crediting):		
(a) Finance costs		
Bonds interest expenses	**30,185**	52,858
Imputed interest expenses on bonds payable *(note 19)*	**1,569**	3,856
Interest expenses on lease liabilities	**2**	707
Other interest expenses	**–**	157
	31,756	57,578
(b) Staff costs (including directors' emoluments as disclosed in note 7)		
Employer on contributions to retirement benefit schemes	**593**	1,052
Salaries, bonus, commission and allowances	**25,033**	41,501
	25,626	42,553
(c) Other items		
Auditor's remuneration		
— Audit-related assurance services	**1,158**	1,422
— Other services	**100**	100
Gain on disposal of fixed assets	**–**	(7)
Exchange loss, net	**976**	9,150

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

The analysis of the aggregate amount of emoluments received or receivable by the directors of the Company are as follows:

2023

Name of director and chief executive	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Employer's contributions to retirement benefit schemes HK$'000	Other services in connection with the management of affairs of its subsidiaries HK$'000	Total HK$'000
Executive directors						
Zhang Hongwei *(Note i, vii)*	–	–	–	–	–	–
Huang Changsheng *(Note ii)*	–	1,774	217	18	–	2,009
Independent non-executive directors						
Cao Ping *(Note iii)*	204	–	–	–	–	204
Liang Jilin	204	–	–	–	–	204
Meng Gaoyuan	204	–	–	–	–	204
	612	1,774	217	18	–	2,621

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

2022

Name of director and chief executive	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Employer's contributions to retirement benefit schemes HK$'000	Other services in connection with the management of affairs of its subsidiaries HK$'000	Total HK$'000
Executive directors						
Wu Jian *(Note iv)*	–	–	–	–	–	–
Zhang Hongwei *(Note i, vii)*	–	–	–	–	–	–
Zhao Mingxun *(Note v)*	–	569	1,303	5	–	1,877
Huang Changsheng *(Note ii)*	–	725	–	8	–	733
Independent non-executive directors						
Cao Ping *(Note iii)*	34	–	–	–	–	34
Guan Wenwei *(Note vi)*	170	–	–	–	–	170
Liang Jilin	204	–	–	–	–	204
Meng Gaoyuan	204	–	–	–	–	204
	612	1,294	1,303	13	–	3,222

Notes:

i) Mr. Zhang Hongwei was appointed as a director on 12 April 2022 and chairman of the board of directors on 2 September 2022.

ii) Mr. Huang Changsheng was appointed as a director on 12 April 2022 and chief executive officer on 24 November 2023.

iii) Mr. Cao Ping was appointed as a director on 1 November 2022.

iv) Mr. Wu Jian resigned as a director and chairman of the board of directors on 2 September 2022

v) Dr. Zhao Mingxun resigned as a director on 12 April 2022.

vi) Dr. Guan Wenwei resigned as a director on 1 November 2022.

vii) Mr. Zhang Hongwei resigned as a director and chairman of the board of directors on 14 March 2024.

Huang Changsheng is also the chief executive officer of the Company and his emoluments dicslosed above include those for services rendered by him as the chief executive officer.

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

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

Discretionary bonus, which are recommended by the remuneration committee and subsequently approved by the directors, are discretionary and are determined by reference to the Group's and the individuals' performance.

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

There are no loans, quasi-loans or other dealings in favour of the directors or its holding company that were entered into or subsisted during the year ended 31 December 2023 *(2022: Nil)*.

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

After due and careful consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company, its holding companies or its subsidiaries was a party and in which the directors or a connected entity of the directors had a material interest, whether directly or indirectly, subsisted as at 31 December 2023 *(2022: Nil)* or at any time during the year ended 31 December 2023 *(2022: Nil)*.

(d) Five highest paid employees' emoluments

The five highest paid employees during the year included one director *(2022: one)*, details of whose emoluments are disclosed above. Details of the emoluments for the year of the remaining four *(2022: four)* highest paid employees who are not a director are as follows:

	2023	2022
	HK$'000	HK$'000
Salaries, commission and allowance	**4,988**	7,276
Discretionary bonuses	**846**	884
Employer on contributions to retirement benefit schemes	**71**	69
	5,905	8,229

The emolument of five highest paid employees' emoluments are recommended by the remuneration committee and subsequently approved by the directors, are determined by reference of the Group's and the individuals' performance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Five highest paid employees' emoluments *(Continued)*

	Number of individuals	
	2023	2022
The emoluments, excluding directors' emoluments, fell within the following bands:		
HK$nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
	4	4

	Number of individuals	
	2023	2022
The emoluments of the senior management of the Company, excluding directors' and chief executives emoluments, fell within the following bands:		
HK$nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1

No emoluments were paid by the Group to the directors of the Company or any of the five highest paid employees as (a) an inducement to join or upon joining the Group and (b) compensation for loss of office for the years ended 31 December 2023 and 2022. There were no arrangements under which directors of the Company waived or agreed to waive any emoluments for the years ended 31 December 2023 and 2022.

8. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% *(2022: 16.5%)* on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made for year ended 31 December 2023 and 2022 since the Group did not derive assessable profits arising in Hong Kong during the year.

A reconciliation of the income tax credit applicable to loss before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the applicable tax rates is as follows:

	2023 **HK$'000**	2022 HK$'000
Loss before tax	**(15,943)**	(241,234)
Income tax at applicable tax rate of 16.5% *(2021: 16.5%)*	**(2,631)**	(39,804)
Tax effect of non-deductible expenses	**4,147**	10,383
Tax effect of non-taxable income	**(4,803)**	(2,532)
Tax effect of unrecognised temporary difference	**26**	–
Tax effect of unrecognised tax losses	**3,261**	31,953
Over-provision in respect of pervious year	**–**	(96)
Income tax credit	**–**	(96)

Details of the deferred taxation are set out in note 22.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to the equity shareholders of the Company, and the weighted average number of ordinary shares in issue during the year.

	2023 HK$'000	2022 HK$'000
Loss for the purpose of basic and diluted loss per share	**(15,943)**	(241,138)
Number of shares	**'000**	'000
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share	**3,661,830**	3,661,830
Basic loss per share *(HK cents)*	**(0.435)**	(6.585)
Diluted loss per share *(HK cents)*	**(0.435)**	(6.585)

Note: There were no dilutive potential ordinary shares outstanding during the years ended 31 December 2023 and 2022. Accordingly, the diluted loss per share for the respective years are the same as basic loss per share.

Dividends

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period *(2022: HK$nil)*.

10. FIXED ASSETS

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost:						
As at 1 January 2022	10,984	1,708	1,001	24,947	757	39,397
Additions	–	–	–	1,150	–	1,150
Write-off	(10,984)	(1,583)	(874)	(3,910)	–	(17,351)
As at 31 December 2022 and 1 January 2023	–	125	127	22,187	757	23,196
Write-off	–	–	–	(8,098)	–	(8,098)
As at 31 December 2023	**–**	**125**	**127**	**14,089**	**757**	**15,098**
Accumulated depreciation:						
As at 1 January 2022	10,132	1,619	935	24,241	580	37,507
Provided during the year	852	89	57	623	152	1,773
Write-off	(10,984)	(1,583)	(874)	(3,910)	–	(17,351)
As at 31 December 2022 and 1 January 2023	–	125	118	20,954	732	21,929
Provided during the year	–	–	4	625	25	654
Write-off	–	–	–	(8,098)	–	(8,098)
As at 31 December 2023	**–**	**125**	**122**	**13,481**	**757**	**14,485**
Net carrying amounts:						
As at 31 December 2023	**–**	**–**	**5**	**608**	**–**	**613**
As at 31 December 2022	–	–	9	1,233	25	1,267

11. INTANGIBLE ASSETS

The Group holds two *(2022: two)* trading rights on the Stock Exchange and one *(2022: two)* trading rights on the Hong Kong Futures Exchange Limited (the "**Futures Exchange**"). They were fully amortised as at 31 December 2023 and 2022.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as a lessee

The Group has lease contracts for offices used in its operations. Leases of properties generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(i) ***Right-of-use assets:***

The net carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties HK$'000
As at 1 January 2022	14,901
Depreciation charge	(14,751)
As at 31 December 2022 and 1 January 2023	**150**
Depreciation charge	**(150)**
As at 31 December 2023	**–**

(ii) ***Lease liabilities:***

The carrying amounts of the Group's lease liabilities are as follows:

	2023 **HK$'000**	2022 HK$'000
Current and amounts payable under lease liabilities within one year	**–**	941

The maturity analysis of lease liabilities is disclosed in note 30.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

The Group as a lessee *(Continued)*

(iii) Amounts recognised in profit or loss:

	2023 HK$'000	2022 HK$'000
Depreciation expense on right-of-use assets	**150**	14,751
Interest expenses on lease liabilities	**2**	707
Expense relating to short-term leases	**3,596**	612
Expense relating to leases of low-value assets	**55**	82
Total amount recognised in profit or loss	**3,803**	16,152

(iv) Others

The total cash outflow relating to leases amounted to approximately HK$4,594,000 *(2022: HK$18,433,000)*.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Financial assets designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**–**	–

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. As at 31 December 2023, the Group held one *(2022: one)* investment with nil fair value.

During the year ended 31 December 2023, no dividends were received by the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. OTHER NON-CURRENT ASSETS

	2023 HK$'000	2022 HK$'000
Statutory deposits with the Stock Exchange	**200**	300
Admission fees paid to the Hong Kong Securities Clearing Company Limited	**100**	100
	300	400

The directors believe that no impairment allowance is necessary in respect of other non-current assets as there have not been a significant change in credit quality and the balances are still considered fully recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the ECL allowance for other non-current assets. Therefore, ECL rate of other non-current assets are assessed to be close to zero and no provision was made as of 31 December 2023 and 2022.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 HK$'000	2022 HK$'000
Financial assets mandatorily measured at FVTPL			
Debt securities			
— Listed in Hong Kong	*(i)*	**60,726**	266,513
— Listed outside Hong Kong	*(i)*	**38,364**	106,200
		99,090	372,713

Notes:

(i) Fair values of the listed debt securities are determined with reference to the quoted price provided by brokers/financial institutions.

(ii) There has been no change from the valuation technique used in the prior year.

(iii) The Group has not pledged any debt securities as at 31 December 2023 to any parties as collateral for the facilities granted *(31 December 2022: nil)*.

16. ACCOUNTS RECEIVABLE

	Notes	2023 HK$'000	2022 HK$'000
Accounts receivable arising from the ordinary course of business of brokerage services in securities:			
— securities margin clients	*(a)*	**533,509**	536,138
— securities cash clients	*(b)*	**209**	199
— securities brokers	*(b)*	**349**	306
Accounts receivable arising from proprietary trading	*(b)*	**156**	42,540
Accounts receivable arising from the provision of corporate finance advisory services	*(b)*	**150**	4,845
		534,373	584,028
Less: impairment		**(533,695)**	(536,302)
		678	47,726

As at 31 December 2023, the gross amount of accounts receivable arising from contracts with customers amounted to approximately HK$150,000 *(2022: HK$4,845,000)*.

Notes:

(a) Analysis on accounts receivable arising from securities margin clients

(i) The carrying amount of accounts receivable arising from the ordinary course of business of brokerage services in securities margin clients, net of impairment of the Group was as follows:

	2023 HK$'000	2022 HK$'000
Accounts receivable arising from the ordinary course of business of brokerage services in securities:		
— Securities margin clients	**533,509**	536,138
Less: Impairment		
— Stage 1	**–**	–
— Stage 2	**–**	–
— Stage 3	**(533,504)**	(536,014)
	5	124

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: (Continued)

(a) Analysis on accounts receivable arising from securities margin clients *(Continued)*

(i) *(Continued)*

Accounts receivable arising from securities margin clients are secured by their pledged securities, repayable on demand after settlement date and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically.

No ageing analysis is disclosed as in the opinion of the directors as the ageing analysis does not give additional value in view of the nature of brokerage business.

There has been no change in the estimation technique or significant assumptions made during the current period in assessing the ECL allowance for accounts receivable arising from securities margin clients.

(ii) Accounts receivable arising from the ordinary course of business of brokerage services in securities margin clients of the Group are internally classified into the following categories:

Excellent : Margin obligations are expected to be met and exposures are fully secured by collaterals, which demonstrate good loan-to-collaterals' value ratios ("**LTVs**"). Repayment of interest and principal is not in doubt.

Good : Margin obligations are expected to be met and exposures are fully secured by collaterals, but LTVs are higher than the excellent grade exposures. Repayment of interest and principal is not in doubt.

Non-performing : Exposures where some losses of principal or interest may be possible after taking into account of the realisable value of the underlying collaterals.

Individually impaired : Exposures where default events have occurred and individual impairment assessments are made to determine the impairment allowances.

The following is the analysis of the gross carrying amount arising from the accounts receivable arising from securities margin clients as at 31 December 2023 and 2022 by the Group's internal credit rating and year end classification:

2023

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
Internal rating grade				
Excellent	**5**	**–**	**–**	**5**
Good	**–**	**–**	**–**	**–**
Non-performing	**–**	**–**	**–**	**–**
Individually impaired	**–**	**–**	**533,504**	**533,504**
	5	**–**	**533,504**	**533,509**

At 31 December 2023, for the gross receivables of stage 1 securities margin clients, fair value of marketable securities pledged was approximately HK$210,000.

At 31 December 2023, for the gross receivables of stage 3 securities margin clients, fair value of marketable securities pledged was approximately HK$3,000.

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: (Continued)

(a) Analysis on accounts receivable arising from securities margin clients *(Continued)*

(ii) *(Continued)*

2022

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
Internal rating grade				
Excellent	124	–	–	124
Good	–	–	–	–
Non-performing	–	–	–	–
Individually impaired	–	–	536,014	536,014
	124	–	536,014	536,138

At 31 December 2022, for the gross receivables of stage 1 securities margin clients, fair value of marketable securities pledged was approximately HK$565,000.

At 31 December 2022, for the gross receivables of stage 3 securities margin clients, fair value of marketable securities pledged was zero.

(iii) The movements in the impairment of accounts receivable arising from the ordinary course of business of brokerage services in securities margin clients were as follows:

	12-month ECL (Stage 1) HK$'000	**Lifetime ECL not credit-impaired (Stage 2)** HK$'000	**Lifetime ECL credit-impaired (Stage 3)** HK$'000	**Total** HK$'000
As at 1 January 2022	–	–	536,389	536,389
Credited to profit or loss	–	–	(281)	(281)
Exchange alignment	–	–	(94)	(94)
As at 31 December 2022 and 1 January 2023	**–**	**–**	**536,014**	**536,014**
Credited to profit or loss	**–**	**–**	**(1,793)**	**(1,793)**
Amount written off	**–**	**–**	**(705)**	**(705)**
Exchange alignment	**–**	**–**	**(12)**	**(12)**
As at 31 December 2023	**–**	**–**	**533,504**	**533,504**

During the year ended 31 December 2023, as a result of the court order, certain account receivables amounted to approximately HK$1,566,000 *(2022: nil)* and approximately HK$705,000 *(2022: nil)* was recorded and written off, respectively. The Group writes off accounts receivable where there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: (Continued)

(b) Analysis on accounts receivable arising from other than securities margin clients

i. The carrying amounts of accounts receivable arising from the ordinary course of business of brokerage services in securities, proprietary trading and corporate finance advisory services other than securities margin clients of the Group are as follows:

	Notes	**2023 HK$'000**	2022 HK$'000
Accounts receivable arising from the ordinary course of business of brokerage services in securities:			
— securities cash clients	*(1)*	**209**	199
— securities brokers	*(2)*	**349**	306
Accounts receivable arising from proprietary trading	*(3)*	**156**	42,540
Accounts receivable arising from the provision of corporate finance advisory services	*(4)*	**150**	4,845
		864	47,890
Less: impairment	*(5)*	**(191)**	(288)
		673	47,602

(1) Accounts receivable arising from the ordinary course of business of brokerage services in securities cash clients were unsecured and repayable on demand after settlement date. Overdue accounts receivable are repayable on demand and charged interests at commercial rates. The normal settlement terms of accounts receivable arising from the ordinary course of business of brokerage services in securities are one to three days after trade date. No ageing analysis is disclosed as in the opinion of the directors of the Company as the ageing analysis does not give additional value in view of the nature of brokerage business.

(2) At the end of the reporting period, accounts receivable arising from the ordinary course of business of brokerage services in securities brokers were unsecured, repayable on demand after settlement date and were not overdue.

(3) Accounts receivable arising from proprietary trading were unsecured and repayable on demand after settlement date. The normal settlement terms are one to three days after trade date.

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: (Continued)

(b) Analysis on accounts receivable arising from other than securities margin clients *(Continued)*

i. *(Continued)*

(4) The Group allows an credit period of 7 days *(2022: 7 days)* to its account receivables arising from the provision of corporate finance advisory services. At the end of the reporting period, the ageing analysis of accounts receivable, net of impairment arising from the provision of corporate finance advisory services, based on the invoice date which approximates the respective revenue recognition dates, was as follows:

	2023 HK$'000	2022 HK$'000
Current	**–**	3,064
Overdue:		
Within 30 days	**–**	870
31–90 days	**132**	780
	132	4,714

(5) The movements in the impairment allowance of accounts receivable other than securities margin clients were as follows:

	12-month ECL (Stage 1) HK$'000	**Lifetime ECL not credit-impaired (Stage 2)** HK$'000	**Lifetime ECL credit-impaired (Stage 3)** HK$'000	**Lifetime ECL simplified approach** HK$'000	**Total** HK$'000
As at 1 January 2022	–	–	164	3,364	3,528
Credited to profit or loss	–	–	(7)	(1,224)	(1,231)
Amount written off *(note 1)*	–	–	–	(2,009)	(2,009)
As at 31 December 2022 and 1 January 2023	**–**	**–**	**157**	**131**	**288**
Charged/(credited) to profit or loss *(note 2)*	**–**	**–**	**16**	**(113)**	**(97)**
As at 31 December 2023	**–**	**–**	**173**	**18**	**191**

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the ECL allowance for accounts receivable other than securities margin clients.

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: (Continued)

(b) Analysis on accounts receivable arising from other than securities margin clients *(Continued)*

i. *(Continued)*

(5) *(Continued)*

Notes:

1. During the year ended 31 December 2022, accounts receivable amounted to approximately HK$2,009,000 were written off. The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

2. During the year ended 31 December 2023, recovery of account receivables arising from corporate finance advisory services resulted in a decrease in loss allowance of HK$113,000.

17. PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
	HK$'000	HK$'000
Deposits, prepayments and other receivables	**5,072**	8,589

The directors believe that no impairment allowance is necessary in respect of other receivables and other assets as there have not been a significant change in credit quality and the balances are still considered fully recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the ECL allowance for other receivables and other assets. Therefore, ECL rate of other receivables and other assets are assessed to be close to zero and no provision was made as of 31 December 2023 and 2022.

18. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023	2022
	HK$'000	HK$'000
Cash and bank balances, representing cash and cash equivalents in the consolidated statement of cash flows	**603,964**	378,104

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the consolidated financial statements amounted to approximately HK$114,635,000 *(2022: HK$118,418,000)*.

18. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(a) Cash and cash equivalents comprise: *(Continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

(b) Reconciliation of liabilities arising from financing activities

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

	Interest payable including in other payable and accrued charges HK$'000	Bonds payable HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2023	12,610	797,500	941	811,051
Changes from financing cash flows:				
Repayment of bonds issuance	–	(78,498)	–	(78,498)
Repayment of principal portion of lease liabilities	–	–	(941)	(941)
Interest paid on bonds issued	(31,388)	–	–	(31,388)
Other interest paid	–	–	(2)	(2)
Total changes from financing cash flows	(31,388)	(78,498)	(943)	(110,829)
Exchange difference	(6)	1,851	–	1,845
Other changes:				
Finance costs *(note 6a)*	30,185	1,569	2	31,756
At 31 December 2023	11,401	722,422	–	733,823

18. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Interest payable including in other payable and accrued charges HK$'000	Bonds payable HK$'000	Lease liabilities HK$'000	Net assets attributable to holders of third party interests in consolidated investment fund HK$'000	Total HK$'000
At 1 January 2022	21,900	1,382,512	17,973	5,408	1,427,793
Changes from financing cash flows:					
Repayment of bonds issuance	–	(592,381)	–	–	(592,381)
Repayment of principal portion of lease liabilities	–	–	(17,032)	–	(17,032)
Interest paid on bonds issued	(62,134)	–	–	–	(62,134)
Other interest paid	(157)	–	(707)	–	(864)
Capital withdrawal by third party interests in consolidated investment fund	–	–	–	(4,968)	(4,968)
Total changes from financing cash flows	(62,291)	(592,381)	(17,739)	(4,968)	(677,379)
Exchange difference	(14)	3,513	–	–	3,499
Other changes:					
Finance costs *(note 6a)*	53,015	3,856	707	–	57,578
Fair value gains arising from investment fund	–	–	–	(440)	(440)
At 31 December 2022	12,610	797,500	941	–	811,051

19. BONDS PAYABLE

On 9 February 2021, the Company issued bonds with aggregate principal amount of US$178,000,000 (the "**2021 USD Bonds**") to independent third parties. The 2021 USD Bonds bear interest from 9 February 2021 (inclusive) at the fixed rate of 4.00% per annum and guaranteed by SWSC. Interest on 2021 USD Bonds is payable semi-annually in arrears. The 2021 USD Bonds are listed on the Stock Exchange. During the years ended 31 December 2023, the Company repurchased and cancelled US$10,000,000 *(2022: US$75,500,000)* of 2021 USD Bonds. The remaining portion of US$92,500,000 *(2022: US$102,500,000)* will mature on 9 February 2024 with the outstanding principal and interest payable at the maturity date. Details of the bonds are set out in the Company's announcements on 1 and 10 February 2021.

The 2021 USD Bonds were carried at amortised cost using an effective interest rate of 4.2% per annum. The fair value determined with reference to the quoted price provided by brokers/financial institutions as at 31 December 2023 was approximately HK$717,370,000.

Subsequent to 31 December 2023, the bonds payable was fully settled in February 2024.

The movements in the bonds payable for the years are set out below:

	2021 USD Bonds HK$'000
Carrying amount at 1 January 2022	1,382,512
Imputed interest expenses for the year *(note 6(a))*	3,856
Exchange difference	3,513
Principal repayment	(592,381)
Carrying amount at 31 December 2022 and 1 January 2023	**797,500**
Imputed interest expenses for the year *(note 6(a))*	**1,569**
Exchange difference	**1,851**
Principal repayment	**(78,498)**
Carrying amount at 31 December 2023	**722,422**

	2023 **HK$'000**	2022 HK$'000
Analyses as:		
Non-current portion	**–**	797,500
Current portion	**722,422**	–
	722,422	797,500

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. OTHER PAYABLES AND ACCRUED CHARGES

	2023 HK$'000	2022 HK$'000
Accrued charges	**3,762**	5,847
Interest payables	**11,401**	12,610
	15,163	18,457

21. PROVISIONS

	Staff bonus HK$'000	Others HK$'000	Total HK$'000
At 1 January 2022	18,786	2,365	21,151
(Reversal) addition provision	(646)	1,206	560
Amounts paid	(6,161)	(2,365)	(8,526)
At 31 December 2022 and 1 January 2023	**11,979**	**1,206**	**13,185**
Reversal provision	**(498)**	**–**	**(498)**
Amounts paid	**(2,272)**	**(1,206)**	**(3,478)**
At 31 December 2023	**9,209**	**–**	**9,209**

22. DEFERRED TAXATION

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes.

	Assets		Liabilities	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Depreciation allowances	**–**	–	**(118)**	(118)
Tax losses	**118**	118	**–**	–
Deferred tax assets (liabilities)	**118**	118	**(118)**	(118)
Offset deferred tax assets and liabilities	**(118)**	(118)	**118**	118
Net deferred tax assets (liabilities)	**–**	–	**–**	–

22. DEFERRED TAXATION *(Continued)*

Unrecognised deferred tax assets arising from

	2023	2022
	HK$'000	HK$'000
Deductible temporary differences	**16,333**	16,174
Tax losses	**1,402,803**	1,383,043
	1,419,136	1,399,217

As at 31 December 2023, the Group has estimated unused tax losses of approximately HK$1,403,516,000 *(2022: HK$1,383,756,000)* available for offset against future profits. A deferred tax asset has been recognised in respect of HK$713,000 *(2022: HK$713,000)* of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$1,402,803,000 *(2022: HK$1,383,043,000)* due to unpredictability of future profit streams. The estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

As at 31 December 2023, the Group has deductible temporary differences of approximately HK$17,046,000 *(2022: HK$16,887,000)*. A deferred tax liabilities has been recognised in respect of HK$713,000 *(2022: HK$713,000)* of such taxable temporary differences. No deferred tax assets has been recognised in relation to remaining deductible temporary difference of HK$16,333,000 *(2022: HK$16,174,000)* as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

23. NET ASSETS ATTRIBUTABLE TO HOLDERS OF THIRD-PARTY INTERESTS IN CONSOLIDATED INVESTMENT FUND

Net assets attributable to holders of third party interests in consolidated investment fund, namely Southwest SPC Fund, are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to holders of third party interests in consolidated investment fund cannot be predicted with accuracy since these represent the interest of third party interests shareholders in consolidated investment fund that are subject to the actions of the third party interests shareholders. The Southwest SPC Fund was fully redeemed during the year ended 31 December 2022.

Southwest SPC Fund

	2022 HK$'000
Current assets	–
Current liabilities	–
Equity attributable to owners of Southwest SPC Fund	–

	For the period from 1 January 2022 to 1 July 2022 HK$'000
Loss for the year	(57,589)

24. SHARE CAPITAL

	2023		2022	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.10 each				
At the beginning and end of the year	**4,000,000**	**400,000**	4,000,000	400,000
Issued and fully paid:				
At the beginning and end of the year	**3,661,830**	**366,182**	3,661,830	366,182

24. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue '000	Share capital HK$'000
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	3,661,830	366,182

25. OTHER EQUITY INSTRUMENT

On 15 October 2019, the Company issued HK$580 million perpetual securities (the "**other equity instrument**") with an initial distribution rate of 3.875% per annum. From 15 October 2022, the distribution rate increased to 3.92% per annum. The Company may, at its sole discretion, elect to defer, in whole or in part, any distribution declared by the Company. The other equity instrument has no fixed redemption date and may be redeemed in whole or in part at any time at the sole discretion of the Company on giving prior notice to the holder of the other equity instrument, in accordance with the terms and conditions stated in the subscription agreement. The other equity instrument constitutes direct, unconditional, subordinated and unsecured obligations of the Company and is classified as equity instruments and recorded as equity in the consolidated statement of financial position. On 14 October 2021, the Company had declared a distribution in the amount of HK$4,803,000 to the holder of other equity instrument and had fully settled the said distribution on 15 February 2022. No distribution declared during the years ended 31 December 2023 and 2022.

26. SHARE OPTION SCHEME

At the annual general meeting of the Company held on 12 November 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "**2013 Share Option Scheme**") and the termination of the share option scheme which was adopted by the Company on 30 January 2004 (the "**2004 Share Option Scheme**"). The 2013 Share Option Scheme became effective for a period of 10 years from the date of adoption (i.e. 12 November 2013) and has expired on 11 November 2023. Options granted under the 2004 Share Option Scheme prior to such termination will continue to be valid and exercisable in accordance with the terms of the 2004 Share Option Scheme. Options granted under the 2013 Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the 2013 Share Option Scheme.

During the years ended 31 December 2022 and 2023, there were no outstanding share option and no share option was granted, exercised, cancelled or lapsed under both the 2004 Share Option Scheme and the 2013 Share Option Scheme.

27. RETIREMENT SCHEME BENEFIT

The Group operates a ORSO Scheme and a MPF Scheme which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance and the Mandatory Provident Fund Schemes Ordinance.

Contributions to the ORSO Scheme depend on employees' service years, and range from five to seven per cent of their basic salaries.

Employees under the ORSO Scheme are entitled fully to the employer's contributions upon completion of ten service years, or at a reduced scale upon completion of three to nine service years. Forfeited contributions by the qualified employees who left the scheme prior to vesting fully in such contributions are used to reduce the Group's contributions. During the year ended 31 December 2023, no forfeited contribution are used to reduce the Group's contribution *(2022: nil)*.

Contributions to the MPF Scheme are calculated at five percent of the relevant income of each employee subject to a maximum amount of HK$1,500 per month. All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

The aggregate employer's contributions, which have been dealt with in profit or loss for the year amounted to:

	2023	2022
	HK$'000	HK$'000
Contributions to retirement benefit schemes charged to profit or loss *(Note 6(b))*	**593**	1,052

LSP Liabilities

Obligation to LSP under Hong Kong Employment Ordinance

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to employees in Hong Kong under certain circumstances, subject to a minimum of 5 years employment period, based on this formula: Last monthly wages (before termination of employment) × 2/3 × Years of service. Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's Mandatory Provident Fund contributions, plus/minus any positive/negative returns thereof (collectively, the "**Eligible Offset Amount**"), for the purpose of offsetting LSP payable to an employee (the "**Offsetting Arrangement**").

27. RETIREMENT SCHEME BENEFIT *(Continued)*

LSP Liabilities *(Continued)*

Obligation to LSP under Hong Kong Employment Ordinance *(Continued)*

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment Ordinance will come into effect prospectively from 1 May 2025 (the "**Transition Date**"). Under the Amendment Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

The Group is currently assessing the impact of the LSP obligation due to the Amendment Ordinance.

28. RELATED PARTY TRANSACTIONS

During the year, there were related party transactions entered into by the Group during the year, details of which are set out below:

Related party relationship	Nature of transaction	2023 HK$'000	2022 HK$'000
Key management personnel, other than directors of the Company	Short-term benefits	**6,571**	9,174
	Post-employment benefits	**127**	114
		6,698	9,288

The remuneration of key management personnel are recommended by the remuneration committee and subsequently approved by the directors of the Company, are determined by reference to the Group's and the individuals' performance.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income — Equity instruments designed at FVTOCI HK$'000	Financial assets at fair value through profit or loss — Held for trading HK$'000	Total HK$'000
Financial assets				
Other non-current assets	300	–	–	300
Financial assets at fair value through profit or loss	–	–	99,090	99,090
Financial assets at fair value through other comprehensive income	–	–	–	–
Accounts receivable	678	–	–	678
Financial assets included in prepayments and other receivables	3,650	–	–	3,650
Cash and bank balances	603,964	–	–	603,964
	608,592	–	99,090	707,682

2023	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities		
Bond payable	722,422	722,422
Financial liabilities included in other payables and accrued charges	11,490	11,490
	733,912	733,912

29. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2022	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income: Equity instruments designed at FVTOCI HK$'000	Financial assets at fair value through profit or loss: Held for trading HK$'000	Total HK$'000
Financial assets				
Other non-current assets	400	–	–	400
Financial assets at fair value through profit or loss	–	–	372,713	372,713
Financial assets at fair value through other comprehensive income	–	–	–	–
Accounts receivable	47,726	–	–	47,726
Financial assets included in prepayments and other receivables	6,587	–	–	6,587
Cash and bank balances	378,104	–	–	378,104
	432,817	–	372,713	805,530

2022	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities		
Bond payable	797,500	797,500
Financial liabilities included in other payables and accrued charges	12,700	12,700
	810,200	810,200

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: interest-rate risk, credit risk, foreign exchange risk, liquidity risk and equity price risk. The Group's overall risk control focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Risk Control Committee ("**RCC**") is responsible for establishing and reviewing credit policies and procedures to minimise systematic and non-systematic credit and financial risks of the Group. The RCC is also responsible for assessing the risk of long term investments and proprietary trading.

Interest-rate risk

As at 31 December 2023 and 2022, the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments in debt securities being classified as financial assets at fair value through profit or loss, certain accounts receivable arising from securities margin clients with floating interest rates, cash at banks and bonds payable. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in floating rates and ensure they are within reasonable range.

As at 31 December 2023 and 2022, the Group's investments in debt securities being classified as time deposits, financial assets at fair value through profit or loss and bonds payable bear fixed interest rates. Therefore, in the opinion of the directors, the interest rate risk arising from the debt securities and bonds payable are considered to be minimal.

As at 31 December 2023, if the interest rate on the cash at bank is 50 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the loss after tax for the year of the Group would have decreased/increased by HK$184,000 *(2022: HK$1,891,000)* as a result of higher/lower interest income.

Sensitivity analysis on certain accounts receivable arising from securities margin clients with floating interest rate is not presented as the Group consider the interest rate risk arising from the accounts receivable arising from securities margin clients is considered to be minimal.

Credit risk

The Group is exposed to credit risk for all financial assets that a client or counterparty in a transaction may default on settlement. The Group maximum exposure to credit risk in the event that the counterparties fail to perform their obligations and financial guarantees provided by the Group as at the end of the reporting period, in relation to each class of financial assets, is the carrying amount of those assets as indicated in the Group's consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 33. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts, except that the credit risks associated with accounts receivable arising from securities margin clients is mitigated to the extent that they are secured by listed securities.

In order to minimise the credit risk, the management of the Group has set up the Credit Review Committee responsible for determination of credit approvals.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

As at 31 December 2023, the Group has concentration of credit risk as 44% *(2022: 76%)* and 94% *(2022: 98%)* of the total accounts receivable was due from the Group's largest customer and the five largest customers respectively within the proprietary trading and corporate finance business segments *(2022: proprietary trading and corporate finance business segments)*. The Group's concentration of credit risk by geographical location is in Hong Kong which accounted for 100% *(2022: 100%)* of the total account receivable as at 31 December 2023.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk arising from below major recognised financial assets, including bank deposits and balances, account receivable arising from securities margin clients and debt securities investments, as stated in the consolidated statement of financial position:

- Bank deposits and balances are placed with authorised financial institutions in Hong Kong and reputable financial institution in the PRC, which are of high credit quality.

- For accounts receivable arising from securities margin clients, the Group's policy requires the review of individual outstanding amounts regularly depending on individual circumstances or market condition. The assessment normally encompasses collateral held, which is valued on a daily basis for marketable securities, and the anticipated receipts for that individual account. Details of the impairment of accounts receivable arising from securities margin clients are included in note 16.

- For the debt securities investments, management monitors the credit quality on these investments on a regular basis and consider the credit risk is manageable.

- Management considered other receivables and other non-current assets to be low credit risk and thus the ECL allowance recognised during the year was limited to 12-month ECL.

The Group's current credit risk grading framework (except for accounts receivable arising from securities margin clients) comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

					31/12/2023			31/12/2022		
	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	**Net carrying amount HK$'000**	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Accounts receivable										
– securities margin clients	*16*	N/A	Excellent	12-month	**5**	**–**	**5**	124	–	124
	16	N/A	Individually impaired	Lifetime	**533,504**	**(533,504)**	**–**	536,014	(536,014)	–
Accounts receivable										
– cash client	*16*	N/A	Performing	12-month	**36**	**–**	**36**	42	–	42
	16	N/A	Default	Lifetime	**173**	**(173)**	**–**	157	(157)	–
Accounts receivable										
– corporate finance advisory services	*16*	N/A	N/A	Lifetime (simplified approach)	**150**	**(18)**	**132**	4,845	(131)	4,714
Accounts receivable										
– Others	*16*	N/A	Performing	12-month	**505**	**–**	**505**	42,846	–	42,846
– Other receivables and others assets	*17*	N/A	Performing	12-month	**3,650**	**–**	**3,650**	6,587	–	6,587
– Cash and bank balances	*18*	N/A	Performing	12-month	**603,964**	**–**	**603,964**	378,104	–	378,104
– Other non-current assets	*14*	N/A	Performing	12-month	**300**	**–**	**300**	400	–	400

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

As at 31 December 2023 and 2022, the Group's foreign currency exposures arise mainly from the exchange rate movements of United States dollar ("**U.S. dollar**") in respect of bond payable and cash and bank balances are set in note 19 and note 18 respectively.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis is not presented as the Group considers the risk exposure to foreign currency fluctuation in U.S. dollar would be minimal as long as the Hong Kong dollar remains pegged to the U.S. dollar.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The amount of net current liabilities and net liabilities of the Group is approximately HK$37,990,000 and HK$37,077,000 as at 31 December 2023, respectively, which causes the Group in significant liquidity risk. At the end of the reporting period, the Group has taken appropriate measures as set out in Note 1 to mitigate such liquidity risk. The Group manages to maintain its liquidity position at a prudent and adequate level. The directors of the Company monitor the cash flows daily to ensure sufficient funds are available. The senior management would also review the liquidity level in compliance with the statutory requirements for the licensed subsidiaries and loan covenants of bond payable.

The amounts included below for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Apart from the items mentioned above, the remaining undiscounted contractual maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period, based on the earliest date on which the Group is required to settle. The tables have been drawn up based on the undiscounted contractual net cash (inflows).

	2023					2022				
	Less than 3 months or on demand HK$'000	**3 to 12 months HK$'000**	**1–5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**	Less than 3 months or on demand HK$'000	3 to 12 months HK$'000	1–5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities										
Bonds payable	**737,024**	**–**	**–**	**737,024**	**722,422**	15,984	15,984	815,198	847,166	797,500
Financial liabilities included in other payables and accrued charges	**11,490**	**–**	**–**	**11,490**	**11,490**	90	12,610	–	12,700	12,700
Financial guarantee contract	**–**	**–**	**–**	**–**	**–**	80,000	–	–	80,000	80,000
	748,514	**–**	**–**	**748,514**	**733,912**	96,074	28,594	815,198	939,866	890,200

To further disclose the maturity analysis, when the liquidity exposure of the lease liabilities included above may not enable the users of the financial statements to evaluate the extent of liquidity risk.

Additional information about the maturity of lease liabilities is provided in the following table:

Lease liabilities *(Note 12)*	**–**	**–**	**–**	**–**	**–**	942	–	–	942	941

Price risk

Price risk is the risk that the fair values of equity/debt securities decrease as a result of changes in the levels of equity indices and the values of individual securities. As at 31 December 2023 and 2022, the Group considers the equity price risk arising from individual equity investments classified as financial assets at FVTOCI and financial assets at FVTPL are minimal.

31. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value on recurring basis at 31 December 2023 and 2022 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

2023

	Total HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities listed in Hong Kong	**60,726**	**60,726**	**–**	**–**
— Debt securities listed outside Hong Kong	**38,364**	**38,364**	**–**	**–**
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	**–**	**–**	**–**	**–**

2022

	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets measured at fair value				
Financial assets at fair value through profit or loss				
— Debt securities listed in Hong Kong	266,513	266,513	–	–
— Debt securities listed outside Hong Kong	106,200	106,200	–	–
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	–	–	–	–

Management has assessed that the carrying amounts of other non-current assets, accounts receivable, other receivables and other assets, cash and bank balances, other payables, and bond payable of the Group approximate their fair values largely due to the short term maturities of these instruments or immaterial impact on discounting for non-current assets.

31. FAIR VALUE MEASUREMENTS *(Continued)*

Note:

Movements in level 3 fair value measurements of financial assets.

The movements in fair value measurements within level 3 during the year as follow:

	HK$'000
Unlisted equity securities at fair value through other comprehensive income:	
At 1 January 2022, 31 December 2022, 1 January 2023, and 31 December 2023	–

The fair value is determined with reference to the latest net asset value of the investments which are the deemed resale reference price of the investments. Management has determined that the reported net asset values represent fair value of these investments.

There were no transfers between level 1, 2 and 3 of fair value hierarchy in the current and prior years.

Valuation processes of the Group

The directors of the Company determine the policies and procedures for recurring fair value measurement. In estimating the fair value of an asset or a liability, the directors of the Company use market-observable data to the extent it is available. Where Level 1 inputs are not available, the directors of the Company will engage third party qualified valuer to perform the valuation for significant assets and liabilities.

32. CAPITAL MANAGEMENT

The primary objective of the Group capital is to safeguard the Group's ability to continue as a going concern in order to support the Group's growth and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, future capital requirement of the Group and investment opportunities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, financial support from the immediate holding company or issue new shares and bonds. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities and futures dealings and broking, corporate finance and investment advisory services, asset management and insurance broking services which are regulated entities under the Securities and Futures Commission and subject to the respective minimum capital requirements. There was no non-compliance in capital management during the year ended 31 December 2023.

33. CONTINGENT LIABILITIES

During the year ended 31 December 2022, the Company had issued an unlimited guarantee for a facility amounted to HK$80,000,000 *(2023: Nil)* for banking facilities granted to subsidiaries from banks, which none of the amount was utilised *(2023: Nil)*.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company and the movements in its reserves are set out below:

	Notes	2023 HK$'000	2022 HK$'000
Non-current asset			
Investment in subsidiaries	*(a)*	**–**	–
		–	–
Current assets			
Financial assets at fair value through profit or loss		**99,090**	372,713
Account, receivables, prepayments and other receivables		**1,877**	43,761
Amounts due from subsidiaries	*(b)*	**72,849**	69,156
Cash and bank balances		**523,522**	304,727
		697,338	790,357
Current liabilities			
Bond payable		**722,419**	–
Other payables and accrued charges		**11,996**	14,024
		734,415	14,024
Net current (liabilities) assets		**(37,077)**	776,333
Total assets less current liabilities		**(37,077)**	776,333
Non-current liability			
Bond payable		**–**	797,467
		–	797,467
		(37,077)	(21,134)
Capital and reserves			
Share capital		**366,182**	366,182
Reserves	*(c)*	**(983,259)**	(967,316)
Other equity instrument		**580,000**	580,000
		(37,077)	(21,134)

Approved and authorised for issue by the Board of Directors on 22 March 2024 and are signed on its behalf by:

HUANG Changsheng
Director

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) Investments in subsidiaries

	2023 HK$'000	2022 HK$'000
Investments in subsidiaries	**723,839**	752,389
Less: Impairment loss recognised	**(723,389)**	(752,389)
	–	–

(b) The amounts due from subsidiaries were unsecured, non-interest bearing and repayable on demand.

(c) Movements of the reserves

	Share premium HK$'000 *(Note i)*	**Contributed surplus** HK$'000 *(Note ii)*	**Accumulated losses** HK$'000	**Total** HK$'000 *(Note iii)*
At 1 January 2023	**248,918**	**65,059**	**(1,281,293)**	**(967,316)**
Loss and total comprehensive expense for the year	**–**	**–**	**(15,943)**	**(15,943)**
At 31 December 2023	**248,918**	**65,059**	**(1,297,236)**	**(983,259)**
At 1 January 2022	248,918	65,059	(1,040,393)	(726,416)
Loss and total comprehensive expense for the year	–	–	(240,900)	(240,900)
Total comprehensive expense for the year	–	–	(240,900)	(240,900)
At 31 December 2022	248,918	65,059	(1,281,293)	(967,316)

Notes:

(i) Share premium

The share premium account of the Company of HK$248,918,000 *(2022: HK$248,918,000)* can be distributed in the form of fully paid bonus shares pursuant to the Companies Act 1981 of Bermuda (as amended).

(ii) Contributed surplus

Contributed surplus represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation and the nominal amount of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company may not declare or pay a dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that (i) it would, or would after the payment, be unable to pay its liabilities as they become due; or (ii) the realised value of its assets would thereby be less than its liabilities.

(iii) Distributable reserves

At the end of the reporting period, in the opinion of the directors of the Company, there is no reserve of the Company available for distribution to shareholders subject to the restriction stated above *(2022: nil)*.

35. INTERESTS IN SUBSIDIARIES

The below table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital	Proportion of ownership interest				Principal activities
			Group effective Interest		Directly held by the Company		
			2023	2022	**2023**	2022	
Southwest Securities (HK) Financial Management Limited *(note a)*	British Virgin Islands/ Hong Kong	US$10,000 (divided into 10,000 ordinary shares of US$1 each)	**100%**	100%	**100%**	100%	Provision of back office and administrative services
Southwest Securities (HK) Asset Management Limited ("**SWSAM**") *(note a)*	Hong Kong/ Hong Kong	HK$44,000,000 ordinary shares and HK$6,000,000 deferred non-voting shares	**100%**	100%	**100%**	100%	Provision of asset management services, distribution of unit trusts and mutual funds
Southwest Securities (HK) Capital Limited *(note a)*	Hong Kong/ Hong Kong	HK$79,000,000 ordinary shares	**100%**	100%	**100%**	100%	Provision of corporate finance advisory services
Southwest Securities (HK) Futures Limited ("**SWSFUT**") *(note a)*	Hong Kong/ Hong Kong	HK$60,000,000 ordinary shares and HK$10,000,000 deferred non-voting shares	**100%**	100%	**100%**	100%	Futures broking
Southwest Securities (HK) Brokerage Limited ("**SWSB**") *(note a)*	Hong Kong/ Hong Kong	HK$500,000,000 ordinary shares	**100%**	100%	**100%**	100%	Securities broking, margin financing and distribution of unit trusts and mutual funds

In accordance with Articles of Association of each of SWSAM, SWSFUT and SWSB, holders of non-voting deferred shares are entitled to a fixed non-cumulative dividend at a rate of Hong Kong one cent (HK$0.01) per non-voting deferred share when the profit exceeds HK$100,000,000,000 in any financial year.

Note a: The Company has 100% voting power in these subsidiaries.

Note b: None of the subsidiaries had issued any debt securities during the years ended 31 December 2023 and 2022 and at the end of both years.

36. EVENT AFTER REPORTING PERIOD

As more fully explained in the Company's various announcements on 17 September 2023, 22 September 2023, 29 November 2023, 6 December 2023 and also 19 March 2024, the Company is being considered by the Stock Exchange that it failed to meet the requirement under Rule 13.24 of the Listing Rules to warrant the continued listing of the shares of the Company.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS:

	Financial year/period					
	1/1/2023– 31/12/2023 HK$'000	1/1/2022– 31/12/2022 HK$'000	1/1/2021– 31/12/2021 HK$'000	1/1/2020– 31/12/2020 HK$'000	1/1/2019– 31/12/2019 HK$'000	1/1/2018– 31/12/2018 HK$'000
Revenue	**31,192**	(102,042)	129,633	251,174	232,534	122,172
(Loss) profit before tax	**(15,943)**	(241,234)	(58,983)	(138,488)	(346,838)	(196,748)
Income tax credit (expense)	**–**	96	–	–	2,243	(5,000)
(Loss) profit for the year	**(15,943)**	(241,138)	(58,983)	(138,488)	(344,595)	(201,748)
Attributable to:						
Equity shareholders of the Company	**(15,943)**	(241,138)	(63,786)	(138,488)	(344,595)	(201,748)

ASSETS AND LIABILITIES:

	Assets and liabilities at					
	31/12/2023 HK$'000	31/12/2022 HK$'000	31/12/2021 HK$'000	31/12/2020 HK$'000	31/12/2019 HK$'000	31/12/2018 HK$'000
Non-current assets	**913**	1,817	20,191	40,957	59,394	22,477
Current assets	**708,804**	807,132	1,735,852	1,967,569	2,076,442	2,003,700
Total assets	**709,717**	808,949	1,756,043	2,008,526	2,135,836	2,026,177
Current liabilities	**(746,794)**	(32,583)	(153,609)	(1,705,803)	(130,006)	(1,996,383)
Non-current liabilities	**–**	(797,500)	(1,382,668)	(19,242)	(1,583,682)	–
Total liabilities	**(746,794)**	(830,083)	(1,536,277)	(1,725,045)	(1,713,688)	(1,996,383)
Net assets (liabilities)	**(37,077)**	(21,134)	219,766	283,481	422,148	29,794
Current ratio	**0.95**	24.77	11.30	1.15	15.97	1.00
Gearing ratio	**(1,948%)**	(3,774%)	629%	546%	367%	6,530%

Southwest Securities
International Securities Limited
西證國際證券股份有限公司